A Study of the Working of State Trading Corporation in the Export Promotion of Handicrafts and Handlooms

ABSTRACT

THESIS SUBMITTED FOR THE DEGREE OF

DOCTOR OF PHILOSOPHY

IN

COMMERCE

BY

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Under the Supervision of

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DEPARTMENT OF COMMERCE
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ABSTRACT

International trade is that branch of economics which deals with the exchange of commodities between peoples of different countries on the basis of specialisation. India's pattern of trade before independence was traditionally colonial and agricultural. The bulk of her foreign trade was confined to Britain and other Commonwealth countries. While exports were based on a few primary commodities, imports were restricted and consisted mainly of manufactured articles. Though on the surface there was a favourable balance of trade, it concealed a low level of industrial production and economic development.

With the impressive industrial development since 1947, India's foreign trade has undergone a complete change and is now larger confined to a few countries trading with few commodities. She now has trading links with practically all the countries of the world. The number of commodities being traded in India's foreign trade, either for purpose of export or imports are now nearly Rs. 6,660 crores. The exports cover a wide range of items of agricultural and industrial sectors and various handicrafts, handlooms, cottage and crafts articles. Project exports which include consultancy, civil

construction and turn-key contracts have also made a significant progress in recent years.

Similarly, there has been a substantial increase in imports on account of the development needs of the economy. The composition of imports has, naturally undergone a great change. The bulk of the imports now consist of sophisticated machines, scarce raw materials, lubricants, oils and fertilizers which are essential for the country's industrial and agricultural development.

It is an established fact that the foreign trade particularly exports are the key notes of progress. With the start of Second Five Year Plan top priority to export was accorded due to acute foreign exchange difficulties. At that time state trading was a new concept and there were several misgivings about its need and feasibility. Despite all the opposition and criticism the government took a strong step to establish the State Trading Corporation of India in May 1956 to coexist with the private trade in democratic setup. Facts like STC's turnover in 1956-57 was 9.19 crores in 1984-85, authorised capital in 1956-57 was Rs. one crore now increased to Rs. 30 crores in 1984-85, its paid up capital jumped from Rs. one crore in 1956-57 to Rs. 15 crores in 1984-85 which reveals its steady growth.

State Trading Corporation was established with the sole objective to enlarge the scope of India's export and to arrange essential imports but its activities are directed towards the diversification of export and expansion of existing markets and development of new markets for traditional and non-traditional products. The Corporation works in close cooperation with government. With the expansion of its business activities STC has been bifurcated and at present it includes Cashew Corporation of India Ltd. (CCI), Handicrafts and Handlooms Export Corporation of India Ltd. (HHEC), Project and Equipment Corporation of India Ltd. (PEC), State Chemicals and Pharmaceutical Corporation of India Ltd. (CPC) and Central Cottage Industries Corporation of India Ltd. (CCIC), of subsidiary of Handicrafts and Handlooms Export Corporation. The above mentioned Corporations are the subsidiaries of STC dealing in specialised products namely Project and Equipment Corporation of India to export turn-key projects, engineering products,etc., Handlooms and Handicrafts Export Corporation to Export handicrafts and handlooms manufactured by the Cottage and small scale industry, Cashew Corporation of India to export and import cashew and Central Cottage Industry Corporation a subsidiary of HHEC.

However during the last 30 years, the Corporation has enlarged its commodity mix as well as country mix. The Corporation while exporting both traditional and non-traditional products to many developed and developing countries. It imports industrial raw materials for the small industries in the country and essential in supply and stablisation in the price level. In all the Corporation has tried contracts with over 100 countries and deals with nearly 300 products.

The Corporation helps the small scale industry in the country in modernising their technologies, importing the raw materials, products designs, other vital informations relating to market behaviour, supply-demand situation, quality consumer preferences, etc. The Corporation also promotes exports from the small scale industries, and introduce their products in world markets through trade fairs and exhibitions, advertising etc. As much as 45 per cent of the Corporation's exports directly originate from the small scale industrial sector.

STC's exports cover items as coffee, semi-processed leather, castor oil, tobacco, opium, textile/fabrics, ready made garments, shoe uppers, meat and marine products, molasses, footwears and components, chemicals, diamonds, groundnut extraction, black pepper, leather goods and garments, chillies, food/processed food, shellac, misc. extraction, tyre and tubes, drugs and pharmaceuticals, cosmetics, soya bean oil, cardamom, light engineering goods, rice, salt, mango pulp, lemon grass oil, vacuum flask, dry fish, turmeric, shrimps, sheet glass, groundnut kernel, slate stone, bedi wrapper leaves, plastic goods, hena powder and steel tubes.

STC is playing a major role in setting the pace in the fields of exports and is the largest single exporter in the country today, accounting for over 6 per cent of India's total exports.

Although the contribution of STC in the total export of the country has been constantly rising since 1970-71 to 1983-84, but in 1984-85 it decline to a nearly 2 per cent over the previous year mainly due to shortfall in canalised export. STC's total imports have been increasing rapidly over the years when it rose 12.4 per cent in 1984-85 compared to 8.2 per cent in 1970-71.

Destinationwise U.S.S.R. stood first in the list of export in 1970-71 and is still on the top in the list of STC's exports followed by U.A.R., Sudan, U.K. in 1970-71 and in 1984-85, after USSR, U.S.A., U.K., Italy and Iran accounted for the bulk of STC's exports. In the list of imports U.S.A. tops the list in 1970-71 followed by Canada, Australia, Czechoslavakia, U.K. and U.S.S.R. Whereas in 1984-85 Brazil top the list of STC's imports followed by U.S.A., Canada, Argentina and Belgium.

STC's groups plays an important role in India's overall economy. STC's own exports account for 6.5 per cent of India's total exports and its imports account for 12.4 per cent of India's total imports.

The Handicrafts and Handlooms Export Corporation of India Limited (HHEC) was set up in June 1962 as a whole owned subsidiary of the State Trading Corporation of India (STC) under the administrative control of Ministry of Commerce with the twin objective of export promotion and trade development. HHEC is an export house in the field of handicrafts and handlooms products including hand-knitted woollen carpets and ready-made garments as well as gold jewellery.

The Corporation continued promotional and trade development activities abroad to boost up exports of handicrafts and handlooms products from India and countries to work introducing new range of items for exports.

From the above it emerges that STC has made striking progress since its start in 1956 and its activities have expanddd in all directions. The STC has been assigned by the Government a special role as a nodal agency for the promotion of trade with Yogoslavia. Another project is coming with the Bulgarian collaboration for manufacture of fashion leather gloves. In this way many new tasks have been taken and many unknown markets have been explored and the Corporation's activities are now focussed on a wider perspective. It may therefore be hoped that the role of Corporation will further expand in the years to come.

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DEPARTMENT OF COMMERCE
ALIGARH MUSLIM UNIVERSITY, ALIGARH

June 30, 1986

Chairman
Department of Commerce
AMU, Aligarh

This is to certify that I have supervised the work entitled "A Study of the Working of State Trading Corporation in the Export Promotion of Handicarafts and Handlooms of Ms Farhat Shahin Siddiqi. I am satisfied that it conforms to the requirements for the award of the Ph.D. degree. It is her own work and to the best of my knowledge, it has not been submitted for the award of any degree in this University or anywhere else.

(PROF. SAMI UDDIN)
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Ms Farhat Shahin Siddiqi was enrolled for Ph.D. under the supervision of a teacher who subsequently left the University job and later on the work was supervised by Professor Sami Uddin.

Professor Sami Uddin has certified that the has supervised the work entitled "A Study of the Working of State Trading Corporation in the Export Promotion of Handicrafts and Handlooms". He has also certified that it meets the requirements for the award of Ph.D. degree and it is her original work and has not been submitted for any other degree in this University or anywhere else. Hence the permission is given for the submission of the thesis.

PROFESSOR ISHRAT H. FAROOQI
CHAIRMAN

Shahzad/-

PREFACE

This study attempts to analyse India's trade and the working of the State Trading Corporation in the Export Promotion with reference to Handicrafts and Handlooms Export Corporation.

The reason for choosing this topic was based on the facts that India had launched a massive expansion on diversification of Foreign Trade Programme through State Trading Corporation to explore new markets for Indian goods in Europe, East Europe, West Europe, North America, etc. As far as import is concerned, India is importing from North America, East Europe, European Common Market (ECM), European Free Trade Association (EFTA).

The State Trading Corporation of India, popularly known as STC, was set up in 1956 with an authorised capital of Rs. 1 crore at present the authorised capital is 30 crores.

The objectives of the State Trade Corporation are to enlarge and broden the scope of India's exports and to arrange for essential imports on an economical basis.

As far as its role is concerned, the Corporation is intended to serve as an instrument of Government's foreign policy and has been functioning as an "economic fire-brigade".

The study has made commoditywise analysis of export/import trade of India.Detailed statistical tables have been prepared and analysed for giving true picture of our foreign trade.

As regards the methodology, it is primarily a desk research work based on published data for the period of 1970-71 to 1984-85 which has been obtained from various national and international agencies. The reports of STC have also been carefully analysed for the purpose.

The work has been divided into five Chapters. The introductory chapter deals with India's foreign trade and development of India's economy after independence. Chapter II gives an account of the establishment of State Trade Corporation and its brief historical account.

The role of State Trading Corporation has been highlighted giving commoditywise and countrywise imports and exports during 1970-85 in Chapter III.

Chapter IV deals with the Handicrafts and Handlooms Export Corporation, a subsidiary of State Trading Corporation.

Chapter V presents a brief summary of all the chapters and contains conclusion. A number of suggestions have also been given to strengthen the STC for achieing its targets.

ACKNOWLEDGEMENT

In completing this thesis, I have drawn upon well-known works by various authors which have been duly acknowledged in the thesis. I am particularly indebted to Professor Ishrat H. Farooqui, Chairman, Department of Commerce, Aligarh Muslim University, Aligarh, who provided me inspiration and encouragement at every stage of this work and helped me to formulate ideas which have been fruitfully utilised in completing this thesis. I have great pleasure in expressing my profound gratitude to him.

I would be failing in my duty if I do not express my deep sense of gratitude to Professor Samiuddin who came to my rescue when my Supervisor, Dr. M.Arif Khan, Lecturer in Commerce, had left for abroad after doing a good deal of spade-work. Professor Samiuddin, despite his preoccupations, took upon himself the task of providing necessary guidance and valuable assistance to me at all stages of the thesis. I am fully conscious of the fact that without his help and assistance, this thesis would not have been completed.

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I am grateful to all the members of my family, including my husband, Mr. M.M. Siddiqui, Reader, Mechanical Engineering, Aligarh Muslim University, Aligarh, my brother Mr. S.M. Zaki, Manager, Bank of India, New Delhi, who have been very helpful and stood by me steadfastly during the research period.

I acknowledge my limitations and fully own responsibility for shortcomings in the thesis, if any.

F Siddiqi

ALIGARH
27.6.1986

(MRS. FARHAT SHAHIN SIDDIQI)

CONTENTS

ABBREVIATIONS

AG	Drugs and Pharmaceuticals Corporation of India
AS	Army Softwares
CCI	Cashew Corporation of India
CCS	Cash Compensatory Scheme
CIF	Cost Insurance and Fraight
CMEA	Council for Mutual Economic Assistance
COM	Committee of Management
DE	Development Export
DGCI & S	Directorate General of Commercial Intelligence and Statistics.
EASI	Export Aid to Small Industries
ECM	European Common Market
EEC	European Common Market
EFTA	European Free Trade Association or Area
EXIM	Export Import Bank
FAO	Food and Agricultural Organisation
FERA	Foreign Exchange Regulation Act
FGR	Federal Republic of Germany
FICCI	Federation of Indian Chamber of Commerce and Industry
FD	Foods
FTRO	Foreign Trade Representation Organisation
FOB	Freight on Board
FOR	Freight on Rail

FTZ	Free Trade Zone
GATI	General Agreement on Tarriffs on Trade
GDR	German Democratic Reputblic (East Germany)
GDP	Gross Domestic Products
GNP	Gross National Product
GP	General Products
HHEC	Handicrafts and Handloom Export Corporation
ICDS	International Container Depots
IR	IRMAC (Industrial Raw Materials Assistance Centre.
ISI	Import Substitution Industrialization
ITO	International Trade Organisation
JBC	Joint Business Council
KETZ	Kandala Free Trade Zone
MEN	Most Formal Nation
MFA	Mutti Fabric Agreement
NB	NEWS PRINT BOOKS
OLG	Open General Licence
OPEC	Organization of Petroleum Exporting Countries
OECD	Organisation for Economic Cooperation and Development
OF	OILS AND FATS
PEC	Project Equipment Corporation
PR	Produce
SK	Silver

STC	State Trading Corporation
SEEPZ	Santacruz Electronic Export Processing
SU	Sugar
TE	Textile Exports
TI	Textile Imports
UAR	United Arab Republic
UK	United Kingdom
UNO	United Nation Organisation
UNCTAD	United Nation Conference on Trade and Development.
UNOID	United Nation Organisation for Industrial Development.
USI	United States of Indonesia
USIS	United States Information Service
USA	United States of America
USSR	Union of Soviet Socialist Republic

Chapter I

THE ROLE OF FOREIGN TRADE IN INDIA'S ECONOMIC DEVELOPMENT

INTRODUCTION

All countries have not been endowed by nature with the same productive facilities. There are differences between them in climatic conditions and natural resources as also in the supply of labour and capital. Due to these differences, each country finds it advantageous to specialise in the production of some specific commodities. Such specialisation would not be economically feasible, but for the possibility of exchange of surplus production through international trade. In fact, in the absence of international trade, there would be no surplus available for export. International trade takes place when buyers find foreign markets cheaper to buy from and sellers find them more profitable to dispose of their products than the domestic market.

The role of foreign trade in economic development is considerable. The classical and neo-classical economists attached so much importance to international trade in a country's development that they regarded it as an 'engine of growth'. There is also the opposite view according to which historically foreign trade has led to international inequalities whereby rich countries have become richer at the expense of the poor countries. It is therefore, contended that even if underdeveloped countries are required to sacrifice the gains accruing from international specialisation they can attain a higher degree of development by following policies of import substitution and accelerated industrialization and concentrate on production for domestic consumption.

Foreign trade is specially crucial for underdeveloped countries. It provides the urge to develop the knowledge and experience that make progress possible and take measures to accomplish it. Harberler says:

> "My overall conclusion is that international trade has made a tremendous contribution to the development of less developed countries in the 19th and 20th centuries and can be expected to make an equally big contribution in the future..., and that substantial free trade with marginal insubstantial corrections and deviations, is the best policy from the point of view of economic development." [1]

Commercial distribution includes both buying and selling.

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1 Haberler, G., International Trade and Economic Development, 1969.

It may be either domestic (home)buying or selling or foreign (international). Broadly speaking, "selling" abroad is "export", and "buying" abroad is "import".

'Import' and 'export' mean respectively bring into, and taking out of a country by sea, land, air, etc.

To determine why it is necessary for a country to enter into foreign trade, an example may be taken from India's present day economic planning.

Immediately after independence, the Government of India set up a Planning Commission to prepare a plan for a "most effective and balanced utilisation of the country's resources". The central objective of planning was defined as initiating "a process of development which will raise living standards and open out to the people new opportunities for a richer and more varied life. R.C. Arora says:

> "Economic planning has to be viewed as an integral part of a wider process aiming not merely at the development of resources in a narrow technical sense, but they also aim at the development of human facilities and the building up of an institutional frame-work adequate from the needs and aspirations of the people".[1]

In the Five Year Plans, in brief, has been crystallized to a very great extent India's aspiration of economic

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1 Arora, R.C., A Practical Guide to the Foreign Trade of India, National Publishing House, Delhi, 1967, p.1.

independence . Through planned development it is desired to put the Indian nation on such an economic footing in the shortest possible time as to enable the common man in India to enjoy adequately if not fully his political independence at the earliest.

To bring about such an economic revolution, huge financial resources are required for the setting up of the basic and heavy industries, for increasing and for making machinery building capacity, essential raw materials and intermediate products available. In an underdeveloped country like India, all such items had to be imported. For imported goods one has to pay in foreign exchange.[1]

Since India did not have the means to implement her huge development schemes as envisaged in her first two Five Year Plans, she had to delve into her reserves of foreign exchange available in the form of setting balances. These have mostly been utilised for buying goods and services to meet the needs of her developmental projects. As a result of these spendings India's reserves of sterling balances have almost been exhausted during the first two Five Year Plans. Being an under-developed country, India had to take recource to borrowing and to approach the governments of friendly foreign countries for aid in the shape of money, material and men (technical know-how and show-how).[2]

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1 Ibid., p. 2.
2 Ibid., p. 2.

During the Fifth Five Year Plan, there was an increase in imports. This was due to a sharp increase in the cost of India's main imports, such as, petroleum, food products and fertilisers. The slackening of the commodity boom and the recession in advanced countries slowed down the rate of growth of Indian exports. India's exports, however, registered an increase of 27.2 per cent during 1976-1977 over the previous year because of substantial increase in exports of some items such as engineering goods, fish and fish products, coffee, groundnuts, cotton fabrics and handicrafts as well as iron and steel.

The Sixth Five Year Plan (1980-81 to 1984-85) was prepared when the country was faced with serious deficits of balance of payments. Hence the Plan adopted a cautious approach in regard to imports. It sought to contain the growth of imports to 7.9 per cent per annum. The Planning Commission cautioned as follows: "It will be counterproductive to pursue a policy of indiscriminate import substitution. The emphasis to be on efficient import substitution which improves both our balance of payment as well as national income."[1]

For securing the requisite amount of foreign exchange there is no way out but to sell goods in foreign market, i.e., export. Export is therefore the cry of the day in India.

1 Government of India, Planning Commission: Fifth Five Year Plan Documents (1980-1985), p.72.

India has either to export or perish.

Nations buy in foreign markets their requirements of goods which are not available in the home market and the need for which is imparative. Imports in the present-day world are an inevitable feature of the economic life of every country.

Every country enters the field of foreign trade in order to fulfil its need of foreign exchange. No country in the present day world desirous of progress can remain isolated. However, there are other reasons also which compel nation to carry on foreign trade.

Because of geographical diversity in the distribution of factors of production, people of one country have to obtain their requirements of goods which are not produced in their country from far distance lands. The small cost of production of an item sometimes results in its import. When a country finds that producing an article indigenously will be uneconomical as compared with its import from another country which is at a distinct advantage in producing it either because of natural resources or specialized knowledge it prefers to import rather than produce it locally.[1]

Disparity in the levels of technical and scientific development between various countries is another reason for

1 Arora, R.S., op.cit., p.3.

most countries to buy abroad. Countries whose general level of technical and scientific development is low or which are not well developed in a particular technical or scientific sphere have to import specialized goods for their people or to meet their developmental or defence needs.

The theory of opportunity costs, again, explains the need for foreign trade. According to this theory, more efficient industries within a country oust the inefficient ones, and as a result, products of efficient industries become products for export and those of inefficient industries products for imports.

Imports and exports thus are essential features, of the economic life of every nation.

India's pattern of trade before independence was traditionally that of a colonial and agricultural country. Bulk of her foreign trade was confined to Britain and other Commonwealth countries. While exports were confined to a few primary commodities, imports were restricted and consisted mainly of manufactured articles. Though, on the surface there was a favourable balance of trade, it concealed a low level of industrial production and economic development.[1]

After her independence, a serious move towards self-sustained growth was made by India by launching Five Year Plans.

1 INDIA, Ministry of Information and Broadcasting, 1984, p. 386.

The objective that the Planners have been setting before them to develop the Indian economy are as follows:

- Increasing national income;
- Providing additional employment;
- Achieving a higher rate of resource mobilisation by raising the ratio of saving and investment in the national income.
- Providing stability to the price level;
- Achieving a viable balance of payments;
- Reducing inequalities in the distribution of income and wealth;
- Reducing regional inequalities;
- Promoting agricultural growth;
- Encouraging industrialisation; and
- Maintaining external balance of payments.

To achieve these objectives, planners have evolved certain strategies. The basic strategy of the Plans has been to accelerate the rate of growth with particular emphasis upon the development potential of the agricultural sector so as to raise the supply elasticy of essential agricultural goods and raw material for industries so that the pace especially of heavy industries could be accelerated.

Another strategy of India's development plans has been that of a self-sustained growth, but the planners have been placing greater emphasis on certain sectors and lesser emphasis on others. But, on the whole, efforts have been made to raise a united, integrated and balanced structure of the economy in which the different sectors work jointly to ensure the growth of one another.

Pattern of the Five Year Plans

The strategy adopted for planned development has got translated into different sectors of the economy.(Table I).

The First Plan assigned top priority to schemes of agricultural development including development of irrigation, transport and communications, and social services. From the Second Plan onwards industry has been attracting the Planners most. In almost all the plans, with the exception of the Fourth Plan, industry has been getting about one-fourth of the total allocation in the succeeding Plans. The outlay provided for this Sector for Sixth Plan comes to only 22.7 per cent of the total outlay -- more than three per cent below the level of Fifth Plan allocation.

An essential condition for the succeess of industrial development programme is the expension of the power resources in the country. Realisation of this need finds expression in the pattern of allocation of resources.While the First Plan spent 7.6 per cent of its total expenditure on the programme of power development, thie proportion has been continously increasing -- going upto 19.8 per cent in the Sixth Plan. Transport and communications received the highest share of expenditure during the Second Plan -- about 27.0 per cent. In the subsequent plans, however, the proportion of expenditure allocated in this sector has been gradually declining, although its share has been continuously increasing.

Table 1

PATTERNS OF THE FIVE YEAR PLANS

(percentage of allocation)

S.No.	Sectors	I Plan	II Plan	III Plan	Annual Plans	IV Plan	V Plan	VI Plan
1	Agriculture and Allied sectors, Irrigation and Flood Control	37.0	20.9	20.5	23.8	23.3	20.8	23.3
2	Power	1.6	4.7	14.6	18.3	18.6	17.8	19.9
3	Industry	4.9	24.1	22.9	24.7	19.7	25.9	22.7
4	Transport and Communication	24.4	27.0	24.6	18.5	19.5	17.6	15.9
5	Social Services	24.1	18.3	17.4	14.7	18.9	17.9	18.3*
	TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0

* Including 0.90 per cent on Science and Technology.

Source: 1. Planning Commission, Plan Documents 1982-1985.

2. Economic Survey 1982-1983, p.113.

A discouraging feature of the different Plans has been the drastic cut made in the items on social services from 24.1 per cent in the First Plan to 18.3 per cent in Second Plan, 17.4 per cent in the Third Plan and 14.7 per cent in the Annual Plans. Allocations under this head were increased to 18.9 per cent in the Fourth Plan, and 17.9 per cent in the Fifth Plan. The same pattern has been followed in Sixth Plan. Reduced expenditure on social services has had an adverse impact on economic development especially on education and health programmes.

Outlay for Seventh Plan

The approach for Seventh Plan (1985-1990) recommends a total amount of Rs. 1,80,000 crore for the Centre, the States and the Union Territories. The amount approved includes an allocation of Rs. 95,734 crore for the Centre, Rs.80,498 crore for the States and Rs. 3,758 crores for the Union Territories.[1] Within these limits, the allocation for different sectors were also approved at the meeting of the Planning Commission held on June 11, 1985.

The Plan lays greatest emphasis on irrigation, power and transport. Irrigation and Flood Control have been allocated over Rs. 16,000 crore as against Rs. 10,981 crore spent during the Sixth Plan.[2] The allocation for power has been stepped up by 75 per cent while on railways it will be more

1 Competition Success Review, Special, July, 1985.
2 Ibid.

than 85 per cent. Industry and minerals to which Rs. 16,527 crore was allocated during the Sixth Plan, will face the maximum resource crunch. The amount on science and technology is being doubled from the actual expenditure of Rs. 1,040 crore during the Sixth Plan period. Health and education will also have a 100 per cent increase in allocation.

The Plan aims at a minium of 4 per cent annual growth in agriculture and 7 per cent in industry to give an overall growth rate of 5.2 per cent annually over the next five years.

The Planning Commission is yet to fix the size of the amount in the private sector which was earlier envisaged to be around Rs. 1,40,000 crore.

With the impressive industrial development since 1947, India's foreign trade has undergone a complete change and is no olonger confined to a few countries and in a few commodities. She now has trading links with practically all the countries of the world. The number of commodities included in India's foreign trade, for export or imports is now nearly 6,666. The country's exports cover a wide range of items of agricultural and industrial sectors and various handicrafts, handloom products and cottage craft articles. Project exports which include consultancy, civil construction and turn-key contracts have also made a significant progress in recent years.

Similarly, there has been a substantial increase in imports on account of the developmental needs of the economy. The composition of imports has naturally undergone a great change. Bulk of the imports now consist of sophisticated machines, scarce raw materials, lubricants, oils and fertilizers which are essential for the country's industrial and agricultural development. In the last few years, the country has been having a large adverse balance of trade on account of having imports necessary for the development as well as because of a steep hike in world prices of major imports, particularly petroleum and petroleum products, fertilizers etc.

The total turn-over of India's foreign trade (imports plus exports including re-exports) is steadily rising and it more than doubled in five years from a level of Rs. 11,428 crores in 1977-78 to Rs. 23,194 crores in 1982-83. The trade turnover on provisional basis further increased to Rs. 24,743 crore in 1983-84. The value of imports and exports, the total value of foreign trade and balance of trade for selected years since 1950-51 are given in Table .

Balance of trade means -- over a given period, say a year -- a country owes sums to various countries for goods she has imported for them, but sums are also owning to her for goods she has exported to other countries. When the value of exports of a country exceeds the value of imports she is to have a favourable balance of trade; when the value of imports of a country exceeds the value of her exports, the country is said to have an adverse balance of trade.

Table 2

Trends in India's Foreign Trade Between 1950-51 to 1984-85.

(Value in Rs. crore)

Year	Imports	Exports including pre-exports	Total value of foreign trade	Balance of trade
1950-51	650.21	600.64	1,250.85	- 49.57
1960-61	1,139.69	660.22	1,799.91	-- 479.47
1970-71	1,634.20	1,535.16	3,169.36	- 99.04
1971-72	1,824.54	1,608.82	3,433.36	- 215.72
1972-73	1,867.44	1,970.83	3,838.27	+ 103.39
1973-74	2,955.37	2,523.40	5,478.77	- 431.97
1974-75	4,518.78	3,328.83	7,847.61	- 1,189.95
1975-76	5,264.78	4,036.26	9,301.04	- 1,228.52
1976-77	5,073.79	5,142.71	10,216.50	+ 68.92
1977-78	6,020.23	5,407.87	11,428.10	- 612.36
1978-79	6,810.64	5,726.07	12,536.71	- 1,084.57
1979-80	9,142.58	6,418.43	15,561.01	- 2,724.15
1980-81	12,549.15	6,710.10	19,259.85	- 5.838.45
1981-82	13,607.56	7,805.90	21,413.46	- 5.801.66
1982-83	14,359.99	8,834.21	23,194.20	- 5,525.68
1983-84*	15,587.77	9,726.80	25,314.57	- 5,860.97

* Figures are provisional and uptodate till June 1984.

Source: INDIA 1984, Ministry of Information and Broadcasting, Government of India, p. 388.

India generally has adverse balance of trade owing to increases in imports needed to meet the requirements of development accompanied by a relatively slow growth of exports in the background of large domestic market with rising demand. There have been periods when India's foreign trade witnessed modest surpluses. In 1972-73, as a result of an appreciable increase in exports, the balance of trade turned into a favourable one for the first time during the preceding 26 years. It was favourable once again in 1976-77 when India's trade was in surplus to the extent of Rs. 63.92 crore[1] due to a faster growth in the exports and a slight fall in imports. The subsequent years have been marked by rising trade deficit. India's external trade and balance of payment situation have been under severe strain since 1979-80. During this period, there has been a small increase in India's foreign trade deficit, chiefly on account of disproportionate rise in import bill in the wake of steep hike in world prices of major imports, particularly those of petroleum and petroleum products. The deficit of foreign trade stood at Rs. 1,085 crore in 1979-80 and was Rs. 5,838 crore in 1980-81. The growth of exports during 1980-81 was hampered by the poor performance of Indian economy in 1979-80 and the first half of 1980-81 as a result of droughts,by low production levels, lack of infrastructural facilities for export production and domestic inflation.[2]

1 Ibid., p. 388.

2 Ibid., p. 389.

The resultant domestic shortage also necessitated higher imports of essential commodities which inflated the import bill. The international environment was also not conducive to the growth of exports following a worldwide recession, prevelance of fluctuating exchange rates and new tariff, non-tariff and other protectionist measures adopted by developed countries. However, as a result of various measures taken by the Government of India in the direction of export production and export marketing, 1980-82 and 1982-83 showed distinct improvement in the performance of India's foreign trade.

The year 1982-83 witnessed an acceleration in the rate of growth of the imports which arrested the trend of rapid growth in trade deficit, experienced during the period between 1977-78 and 1980-81. It is significant that the annual growth in the value of exports moved up from 4.6 per cent in 1980-81 to 16.3 per cent in 1982-83 whereas the annual growth in the imports bill dropped from 37.3 per cent in 1980-81 to 8.4 per cent in 1980-82 and 5.5 per cent in 1982-83. As a result, the balsnce of trade deficit somewhat declined from Rs. 5,938 crore in 1980-81 to Rs. 5,802 crore in 1981-82 and Rs. 5,526 crore in 1982-83.[1]

The provisional figures of India's foreign trade for 1983-84 as per March 1984 Press Note place exports at Rs. 9,396.15 crore and imports at Rs. 15,347.31 crore as compared

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1 Ibid., p. 389.

with corresponding provisional exports and imports of Rs.637.68 crore and Rs. 14,047.28 crore respectively during 1982-83. Thus according to provisional estimates, exports, during 1983-84 registered a rise of 8.8 per cent whereas imports grew at a higher rate of 9.3 per cent, as a result of which the deficit in India's foreign trade increased by about Rs. 541 crore in 1983-84. However, it is important to note that upto the first 10 months of 1983-84 the balance of trade deficit continued to be lower than it was in the corresponding period of 1982-83, and during this period exports were up by 12.7 per cent whereas imports increased by about 25 per cent. Apart from the continued adverse position of India in international trade, the higher trade deficit at the end of 1983-84 is attributable to the stoppage of export shipment during the port and dock workers' strike (from 16th May,1984 to 10th April, 1985 and a significant increase in imports during the three months' period from December 1983 to February 1984 to meet the growing needs of domestic economy. During the first eleven months of 1983-84 India's overall exports registered a growth rate of more than 12 per cent according to provisional estimates. On account of the port and dock strike in the later half of March, the growth rate was 8.8 per cent at the end of 1983-84. While it is difficult to estimate the loss in exports on account of strike, it is likely that exports worth Rs. 550 to Rs. 660 crore were not shipped in the later half of March 1984. Had it not been for this disruption, exports would have exceeded the level of Rs. 10,000 crore during 1983-84.[1]

Foreign trade plays a crucial role in the economic development of countries like India which aim at rapid economic growth within a short span of time. The importance of foreign trade sector in these economics is determined to a large extent, by the factor endowment position and the nature of development plans formulated.

Planning in India is aimed at efficient exploitation of the limited resources of the country for a rapid rise in the standards of living of the people. In this framework of planning and development effort, promotion of export industries and export trade is of vital significance for financing the foreign exchange component of the plans, and the servicing of the huge external debt. Further, the transformation and modernisation of the economy require increasing inflow of essential imports such as capital equipment and raw material, at least in the initial stages of development. Foreign trade, thus plays an important role in the development strategy of the Indian economy.

Trends in Foreign Trade

In 1947-48, the first year of independence India's exports amounted to Rs. 400 crore, more than 50 per cent of

1 Ibid., p. 389

which was accounted for by jute manufactures and tea. From 1947-48 to 1950-51, the value of exports, on an average, came to Rs. 500 crores. The value of imports during this period came to Rs. 600 crores, being 20 per cent higher than that of the exports.[1]

During the period of the First Five Year Plan, the annual average imports amounted to Rs. 724 crores and exports to Rs. 607 crores. Thus, till the end of First Plan period the exports could finance more than 80 per cent of the imports.

The Second Five Year Plan, which initiated a massive programme of industrialisation, gave further fillip to imports. Between 1956-57 and 1960-61, the value of imports came to Rs. 977 crores, on an average while the average annual value of exports stood only at Rs. 624 crores. The increase in the value of imports was 35 per cent, while in the value of exports it was only 3 per cent over the corresponding First Plan averages. As a result, during this period, exports could pay for only 62 per cent of imports. During the Second Plan period, the economy also faced a severe foreign exchange crisis.[2]

Imports rose even faster during the Third Plan period. Increase in the pace of industrialisation and development programmes resulted in an increase in imports of all kinds and of capital goods. There was also an increase in maintenance

1 Foreign Trade Review January-March, 1981, Quarterly Jour. of Indian Institute of Foreign Trade, p.389.

2 Ibid., pp. 391 and 392.

imports, imports of raw materials and intermediate products and foodgrains with export still consisting mostly of agricultural commodities and related manufactures. During this period, exports could pay for only 61 per cent of imports, with the former averaging Rs. 762 crores and the latter Rs. 1,242 crores.

During the decade of 1951-60, world exports, in terms of value, increased at a compound growth rate of 5.8 per cent per annum, while Indian exports increased at a compound growth rate of only 0.2 per cent per annum. As a result, India's share in world exports declined rapidly from 2.1 per cent in 1950 to 1.2 per cent in 1960. In the following decade of 1961-70, there was an increase in the growth rate of India's exports to 3.4 per cent per annum, from 0.2 per cent in the earlier decade. But world exports increased at a compound growth rate of 8.9 per cent per annum, i.e., more than double the rate of growth of Indian exports. India's share of world exports during this period showed a further decline from 1.2 per cent in 1960 to 0.72 per cent in 1970.[1]

In 1970, the Government of India passed the Export Policy Regulation, stressing the need to pursue a vigorous export policy. During the period from 1970 to 1978, exports from India increased significantly at a compound growth rate of 16.9 per cent per annum. However, during the same period

1 Ibid., p.392

world export increased rate of 19.2 per cent per annum.

Thus it is evident that India's exports have not been increasing as fast as world exports. During the entire period under consideration, i.e., 1950-1978, export from India increased at a compound growth rate of 5.4 per cent per annum, while world exports increased at a compound growth rate of 10.3 per cent per annum. As a result of these differential rates of growth, India's share of world exports declined drastically from 2.1 per cent in 1950 to 0.55 per cent in 1978.[1]

During the 'eighties, world exports are expected to increase at a rate of 5.7 per cent per annum in real term. Hence, if India's share of world trade were to be increased from the present 0.6 per cent to 0.89 per cent by 1990-91, with the export of manufactures accounting for 69 per cent of the total exports at 10 per cent is considered necessary and attainable during the 1980s by the Torder Committee on Export Strategy for the Eighties for India. Further, in order to achieve one per cent share of world trade, the growth rate of India's exports during the decade will have to be 11.2 per cent per annum. The share of exports in India's Gross National Product is thereby expected to rise from 7.4 per cent to 11.68 per cent.[2]

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1 Foreign Trade Review, Jan-March, 1981 (Quarterly, New Delhi), p. 394.

2 Ibid., p. 396.

Problems on the trade front, viz., export stagnation, deterioration in the term of trade, instability of export prices and exports earnings, combined with rapidly rising imports create severe balance of payments difficulties for developing countries like India. It is in this context that import substitution and export diversification are adopted as the twin techniques to overcome the balance of payments problems and to achieve the goal of rapid economic development.

In fact, a number of economists have advocated industrialisation via import substitution for the developing countries in general. Nurkse has pointed out that during the nineteenth century trade acted as an "engine of growth",[1] because of a vigorous increase in the demand for primary products. However, he opines that during the twentieth century trade could not play the role of an engine of growth because of the relative lag in the industrial countries' demand for primary products. Under the altered conditions, Nurkse advocates industrialization catering to the domestic markets, i.e., import substitution, to promote the growth of developing countries.

Gunner Myrdal expresses the view that in the changed international situation of the twentieth century there is no longer any stimulus from export markets. He advocates industrialisation based on import substitution as an essential condition for economic development. The course of development

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1 Ibid., p. 397.

of the developed countries also indicates that when exports fail to provide the necessary momentum for growth, import substitution comes into operation to sustain and reinforce the growth process.

Import Substitution Policy

The main aim of developing countries like India is to achieve rapid economic and social growth. Many of them, therefore, have adopted programmes for rapid industrialisation. An important feature of their industrialisation policies is reliance on import substitution and high rates of protective tariffs which is known as the 'import substitution industrialization (ISI) strategy'. Rural Prebisch was a strong advocate of the policy of ISI in the 1950s. Under this policy, industries are established to produce goods that were previously imported. These industries mainly cater to the domestic market and they are protected against foreign competition through tariffs and other restrictions in imports.

In his study of industrial growth, Chenery has showed how in many countries, industrialisation based on import substitution has contributed to a significant growth in output. Hirschman also attributes much of the rapid economic development of the developing countries to industrialisation based or import substitution. Schoepers points out that in many cases, import substitution has created an industrial base, "to proceed with confidence to the next stage of the pattern of development."[1]

1 Ibid., p. 398.

He attributes the rapid industrialisation of South Africa to the Policy of import substitution.

In short, the policy of import substitution was expected to solve many of the problems faced by the developing countries. It was supposed to act as the leading and transforming their economies so as to enable them to reach the levels of the advanced countries.

Rationale For Import Substitution Policy in India

Albert O. He'rschman has identified four motive forces behind ISI -- balance of payment difficulties, wars, gradual growth in income and deliberate development policy. The first and the last of these motives involve deliberate policies on the part of the Government to promote the growth of the industrial sector.

Soon after achieving independence in 1947, India adopted economic planning for efficient allocation of its limited resources. The object was to achieve a rapid increase in the standards of living of the people and to lay the foundations for sustained economic growth within a democrateic socialistic framework. At that time, per capita consumption and income levels were very low. The economy also lacked a viable industrial base. Transport and communication facilities and other social overheads were not sufficiently developed. The First Plan (1951-56) was just the beginning of planning. It was mainly aimed at building the infrastructure.

From the Second Plan (1956-61) onwards, there was a major shift in the policy of the Government of India with emphasis placed on industrialisation. The aim of industrialisation was to bring about changes in the structure of the economy, namely, reducing reliance on agriculture and allied projects and increasing the role of mining and factory establishments. The relative share of industries and minerals was increased from 4 per cent in the First Plan and 20 per cent in the Second Plan. A continued emphasis on industrialisation was expected to bring about structural charges in the economy, contributing to rapid economic development.

Industrialisation was necessarily started via import substitution, i.e., development of domestic industries, which to replace imports by shielding them from foreign competition by means of tariffs and other devices. However, during the period of the Second Plan, in 1957, India faced a severe foreign exchange crisis. As a result since the middle of the Decond Plan period, import substitution policyhas became an important technique to overcome the balance of payment problems.[1]

Thus, import substitution policy in India was originally directed towards promoting industrialisation and later came to be used as an instrument to overcome balance of payments problems. This was similar to the situation which obtained in Ghana which country adopted policies aimed at industrialisation and import substitution even before it started facing

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1 Ibid., p. 399.

balance of payment problems.

From the Third Plan period onwards, achievement of self sufficiency and self-reliance gained prominance as important objectives of the import substitution policy. Thus the three objectives, viz., rapid industrialisation, overcoming balance of payment problems and achieving self-sufficiency and self-reliance seem to have been combined in the strategy of ISI in the Indian economy, each becoming more prominent than the others, depending on the circumstances prevailing in the economy.

Process of Import Substitution

The term "import substitution", used very widely in the literature on economic development and international trade, refers, in general to the replacement of imports by domestic production. The process of imports substitution may involve changes in the dependence of an economy on a commodity or the inputs that go into the domestic production of the commodity.

In the first case, a direct encouragement to the indigenous production of the end product can be given when the imports of the end-product are curtailed while imports of the inputs required for the domestic production of the final product is to be increased.

In the second case, the import of the inputs is controlled

1 Ibid., p. 400.

and while imports of the final product is allowed. The purpose here is to control the imports of the inpu s for the sector.

Tn the <u>third</u> case, both the imports of the inputs and the final product may be controlled, giving encouragement to domestic production of both.

In the last case, import dependence of the economy on the commodity and the independence of the commodity and its inputs may both be rising.[1]

In all the four cases, the policy under consideration wil have important direct and indirect impact on the balance of payments position and on the growth of the other sector's plan for import substitution and that of the entire economy.

Foreign trade, particularly export trade, has been playing a role of critical importance in the formulation and successful implementation of the Five Year Plans in the country.

Export strategy has to be envisaged in an integrated manner so that all policies relevant to the export sector become mutually consistent. Aspect of the export economy which form part of the integrated strategy for exports include investment, choice of industries, fiscal and monetary policies, import policy for exports, tea policy, infrastructural facilities such as shipping, power, communications, transport, information system, advice on the technology, production, choice of techniques, publicity and marketing. Emphasis will have to be

1 Ibid., p. 392.

laid on the need for providing stability to the export policy and its various constituents for a reasonably long period in order to enable the exporters to plan their production and marketing activities in a well-organised and effective way.[1]

In a developing country like India, export strategy has to be identified as an integrated framework converting all the various facets of planning and development, because the pattern of growth of the export-oriented industries is dependent on the overall growth and production trends of the economy. Expansion and diversification of export trade are essential preconditions for economic development, as exports have a vital role to play in the achievement of basic objectives of economic development. Export earnings enable developing economies to pay for critical and essential imports such as certain types of machinery, metals, petroleum, fertilizers and new science and technological know-how, which are essential for expanding overall production and keeping pace with the modern world.

Export earnings are also essential for serving and repayment of foreign debts. Exports have a salutary impact on economic development of the country through the beneficial effect of competitionk which implies a constant updating of technology and production techniques.[2]

Export trade can play a more important role in expanding production and generating employment opportunities in the

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1 Ibid., p. 392.
2 Ibid., p. 394.

small-scale and cottage industries in the rural and backward areas. Diversification of export trade by shifting emphasis from traditional commodities to non-traditional items, from raw materials and low value added items to processed and higher value added items; from capital intensive goods, to labour intensive goods, and from conventional and developed markets to new and growing markets would add stability and dynamism to India's exports.

Developments in the export trade following devaluation in 1966 ushered in an era of new uncertainty and produced great strains. It was very difficult to establish markets abroad for new export items which had to compete more intensively with the overseas rivals. As a result, reducing costs, differentiating products and promoting sales in buyers' markets were the new challenges to be met.

Concerted efforts were made by the Government to meet these challenges. The annual average of export earning, which was Rs. 762 crore during 1961-66 increased to Rs. 1,217 crores during 1966-69.[1] Production of the five export items, viz., tea, jute, cotton textiles, hides and skins and animal and vegetable oils which constituted about 61 to 62 per cent of India's total exports in 1950-51, declined substantially to about 85 per cent in 1968-69.

There was also a gradual shift from low value added items

1 Ibid., p. 394.

to higher value added items within the same product categories. Exports of semi-manufactured and manufactured leather and leather products were encouraged in place of raw hides and skins. Similarly, exports of steel pipes and tubes were preferred to those of steel. The share of non-traditional products, viz., engineering and chemical goods and iron and steel (processed and manufactured) reached a level of about 16 per cent in total exports in 1968-69 from the negligible level of the period 1950-51 to 1956-57.[1] Along with structural charges in the composition of the commodity pattern of exports, there were also changes in the direction of export trade. Traditional markets including U.K. remained no longer India's principal exports markets. U.K's share in India's total exports declined from about 29 per cent in 1958-59 to 15 per cent in 1968-69. There was a very large increase in the export trade with Soviet Russia and other East European countries, which increased to around 20 per cent in 1968-69 from 5 per cent in 1958-59. The share of ECAFE (now ESCAP) countries also increased from 18 per cent in 1958-59 to 25 per cent in 1968-69.

Export promotion efforts received the attention of the Government of India in 1962 when the country was in a difficult foreign exchange position. Export policy and promotion measures formed part of a conscious effort to influence the volume, commodity and country pattern of export trade. Since

1 Ibid., p. 399.

then, export programmes have been an integral part of the country's development process.[1]

The government has taken several measures to promote the country's exports. These include; institutional, organisational, fiscal and other measures meant to promote exports, directly or indirectly or both. In general, these measures are intended to impart dynamism to the country's efforts to expand and diversify India's export trade and to provide an orientation to the economy for exports. These measures also aim at increasing and diversifying export commodities so as to secure the maximum benefits possible for the domestic economy as well as diversification of the export markets.[2]

Specific areas of export trade are identified by the Government and export organisations for applying the policy of export promotion in a more meaningful and result oriented manner. The export promotion efforts are coordinated in such a way that they are applied industry-wise, productionwhse as well as at the level of individual exporter so as to influence the supplies of export products by making them available at internationally competitive price and quality standards. The areas which deserve to be considered by the government for export promotion can broadly be classified into three categories: (i) export production, (ii) export assistance, and (iii) export infrastructure and services.[3]

1 Ibid., p. 399.
2 Ibid., p. 399.
3 Ibid., p. 400.

(i) Export Production

Exports are mainly a function of production. It has been realised that in the long run exports could be increased by increasing the rate of growth of agricultural and industrial production by providing the required raw materials, components and supporting infrastructural facilities adequately to generate and sustain exportable surplus. Efforts are being made to inculcate cost and quality consciousness. A great deal of research and development is necessary tof diversifying the use of the available natural resources. Adequate investment also becomes necessary in various industries, both in public and private sectors.

Some of the major products for special emphasis to generate export surplus in the Indian context are: (a) handicrafts, (b) jems and jewellery, (c) agricultural and horticultural products, (d) leather and leather manufactures, (e) light engineering goods, (f) electronic goods, and (g) project exports and consultancy services. Similarly, a number of new items lime rice-bran oil, mango kernel, slaughter-house waste, new processed fruits, vegetables, and meat and meat products have been discovered as having a tremendous potential for export. To boost export production, certain specific facilities have also been given from time to time, like capacity expansion, increase in the size of the plants, and the scale of operation, quality control, etc.[1]

1 Ibid., p. 401.

The establishment of the Export House is recognised as an instrument of export promotion. Export trading is a skillful art in itself and it requires wide infrastructural network of facilities such as information on market potential, managing, production as per the specifications of demand, providing the necessary imported and domestic inputs to facilitate quality production, promotion and marketing, and credit. Every individual manufacturer-exporter cannot undertake export trading in as effective a manner as a specialised trading organisations can do. Further, development of infrastructure by every exporter might result in duplication of efforts. Through the collective and effective services of the export House there is scope for other product group benefiting from the experience of a particular product group in the field of imports and exports.

(ii) Export Assistance

Export assistance includes both monetary and fiscal measures meant for assisting the exporters. There are different types of exporters and there are also different types of export assistance -- cash assistance, draw back of excise duties, etc.

Export credit and finance have an important role in promoting exports. Facilities available to exporters in the form of export credit can be broadly divided into (a) credit facilities, viz., loans and advances, and (b) quasi-credit facilities such as guarantees etc., and miscellaneous facilities.[1] 'Credit

1 Ibid., p. 403.

facilities offered to exporters by the banks and other financial institutions are in the form of pre-shipment credit (packaging credit), short-term post-shipment credit, or long-term post-shipment credit on deferred payment basis.

The primary objective of the export Credit and Guarantee Corporation (ECGC) is to support and strengthen the export promotion. The following are the two main functions of the ECGC: (i) It issues insurance policies to Indian exporters against the risk of non-receipt of payment due to commercial and political risks arising from exports on credit terms, and (ii) it issues guarantees to banks underwriting a major part of the loss that may arise in advances they make or other support they extend to exporters in connection with export operations.

Pattern of Export Trade

Exports which had been more or less stagnant during the decade 1951-60, averaging a little over Rs. 600 crore per annum, started showing some improvement between 1961 and 1966. They showed a continued rise during the post-devaluation years, though the rate of increase varied from year to year depending on the domestic and international situation. From Rs. 1,093.78 crore in the devaluation year 1966-67, exports after a decade were valued at Rs. 5,142.71 crore in 1976-77. This upward trend continued and by 1982-83 Indian exports touched a figure of

Rs. 8,834.21 crore. The provisional estimate of exports during 1983-84 was Rs. 9,396.15 crore which were likely to reach in the range of Rs. 9,700 to Rs. 9,700 crore on receipt of complete returns. It is worth noting that upto June 1984 the exports and imports for 1983-84 stood undated to Rs. 9,726.80 crore and Rs. 15,587.77 crore, registering a growth rate of 10.7 per cent and 8.5 per cent respectively over the final figures of exports and imports during 1982-83.

The exports have not only gone up, but they have also shown an increasing diversification over the years. The increase has been spread over a number of commodities such as capital goods and other engineering items, chemicals and chemical products, leather and leather manucatrures, garments, silk, rayon and woollen textiles,jems and jewellery, handicrafts, processed food and marine products, etc. Emphasis has also been laid on the export of traditional items like plantation produce, agricultural items, ores and minerals, cotton and jute manufactures.

A number of items registered a remarkable progress in exports between 1971-72 and 1981-82. During this decade, exports of engineering goods went up from Rs. 122 crore to Rs. 939 crore, those of leather and leather products (including footwear) increased from Rs. 102 crore to Rs. 406 crore, as regards pearls, precious and semi-precious stones, the increase

1 India, 1984, Ministry of Information and Broadcasting, New Delhi, p. 390.

was from Rs. 52 crore to Rs. 761 crore; export of readymade garment rose from Rs. 14 crore to Rs. 364 crore, fish and fish preparations from Rs. 41 crore to Rs. 280 crore; and hand-made carpets from Rs. 12 crore to Rs. 181 crore.[1]

Although major trading exports like those of tea, jute, manufactures and cotton fabrics have tended to increase in terms of value, these have been subject to considerable fluctuation during the period depending on the demand and supply position in the international market.

In recent years the international trade and economic situation has become increasingly difficult for the exports of many commodities and manufactures. The persistent recession in the industrialised countries coupled with high level of unemployment, has led to increase in protectionism in the world economy which has had serious repercussions on the export prospects of developing countries like India. The past few years have witnessed a marked deceleration in the growth of world trade. In sharp contrast to the phenomenal expansion in international trade during the quarter century, 1950 to 1975, the volume of world trade increased at an average rate of 5 per cent per annum from 1975 to 1979, by 105 per cent in 1980, it remained stagnant in 1981 and declined in 1982 and by 13.2 per cent. In this context it is worth noting that India's export earnings increased by 16.3 per cent in 1981-82 and by 13.2 per cent in 1982-83. ' This is

1 Ibid., p. 390.

creditable insofar as it has made the best of a difficult international economic situation. Table 3 shows the exports of selected commodities.

Trends in India's principal exports reveal that the commodity groups which registered a significant increase in export earnings during 1982-83, as compared with 1981-82, include coffee, oil-cakes, marine products, raw cotton, fruits and vegetables, and jems and jewellery. Exports of iron ore and tobacco also showed some increases. Exports of crude oil were substantial. These were of Rs. 1,023 crore in 1982-83 and emerged as an important source of foreign exchange earnings. On the other hand, exports of a number of manufactured goods as textiles (including readymade garments), machinery and transport equipment, chemicals and allied products, leather and leather manufactures and handmade carpets witnessed a decline during 1982-83[1] because of recessionary conditions in the world economy and protectionist policies pursued by industrialised countries. Some traditional items, like tea, rice, jute manufactures, spices and cashew kernel also suffered a set-back due to sluggish demand and severe competition in overseas markets. However, in case of items such as tea and rice, supply constraints in respect of exportable varieties were also partly responsible for the decline in exports during 1982-83.[2]

1 Ibid., p. 391.
2 Ibid., p. 391.

Table 3

TRENDS IN INDIA'S EXPORT (COMMODITYWISE) BETWEEN 1950-51 AND 1984-85

(Rs. in crores)

Commodities - Major Traditional Items	1950-51		1960-61		1970-71	
	Absolute terms	Relative terms	Absolute terms	Relative terms	Absolute terms	Relative terms
Jute manufactures	112.20	18.68	212.90	32.24	190.48	12.40
Tea	126.90	21.12	197.72	29.94	224.30	14.61
Coffee	1.30	0.21	7.23	1.09	25.16	1.63
Spices	41.10	6.84	16.65	2.51	39.05	2.54
Cotton textiles	115.80	19.27	N.A.	N.A.	N.A.	N.A.
Manganese ore	N.A.	N.A.	22.12	3.34	14.08	0.91
Tobacco	14.10	2.34	24.80	3.75	32.72	2.12
Mica	N.A.	N.A.	16.04	2.42	15.63	1.01
<u>Major Non-Traditional Items</u>						
Engineering Goods	3.72	0.61	13.40	2.02	130.40	8.52
Iron ore	9.09	1.51	26.80	4.05	117.32	7.60
Readymade garments	N.A.	N.A.	N.A.	N.A.	12.21	0.82
Leather & Leather products	34.78	5.79	39.32	5.95	72.20	4.72
Chemicals and Allie Products	N.A.	N.A.	5.44	0.81	29.40	1.99
Fish and Fish Preparations	2.46	0.40	7.33	1.10	31.30	2.04
Gems and Jewellery						
Others	139.60	23.23	70.47	10.68	558.31	36.37
Total Traditional	410.90	68.43	494.36	75.34	541.32	35.26
Total non-traditional	50.19	8.34	92.29	13.98	435.53	28.37
Total	600.64	100.00	660.22	100.00	1535.16	100.00

(Contd.)

Table 3 (Contd.)

Commodities	1980-81		1984-85	
	Absolute terms	Relative terms	Absolute terms	Relative terms
Major traditional items				
Jute manufactures	329.95	4.91	341.12	2.95
Tea	376.08	5.46	707.91	6.12
Coffee	214.24	3.18	198.14	1.71
Spices	111.04	1.65	174.16	1.57
Cotton Textiles	N.A.	N.A.	412.90	3.57
Manganese ore	N.A.	N.A.	N.A.	N.A.
Tobacco	124.41	1.85	148.62	1.28
Mica	N.A.	N.A.	-	-
Major non-traditional items				
Engineering goods	815.05	12.13	738.44	6.39
Iron ore	303.33	4.51	447.28	3.87
Readymade garments	514.94	7.66	557.81	4.82
Leather and leather products	372.20	5.61	456.83	3.95
Chemicals and Alli Products	225.64	3.35	370.62	3.26
Fish and fish products	212.89	3.16	N.A.	N.A.
Gems and jewellery	618.37	9.20	1303.11	11.27
Others	2502.35	37.25	5697.87	49.30
Total traditional items	1146.30	17.00	1982.84	17.20
Total non-traditional items	3067.45	45.67	3874.08	33.50
Total	6716.10	100.00	11554.80*	100.00

N.A. = Not available

* = Provisionally revised

Source: Compiled by the author from the following:

1. India, 1970, 1977, 1981, 1984.
2. Economic Survey, Govt. of Indiak Various Issues, especially of 1984-85.
3. Report on Currency and Finance - Reserve Bank of India.
4. Sainy, S.C., India's trade, National Publishing House, New Delhi, 1971.
5. Draft of the Fifth Five Year Plan.

India's exports consist of both traditional and non-traditional items. If one go through a glance on the statistics relating to traditional as well as non-traditional items one arrives at the definite conclusion that the relative share of the traditional items in the country's total export has been declining down right from 1960-61. In 1960-61 the relative share of traditional item in country's total exports was as high as 76 per cent whereas in 1984-85 it came down to 17 per cent, showing a decline of nearly 58.14 per cent over the period whereas the share of the non-traditional items in the country's total exports went up from 14 per cent in 1960-61 to 33.5 per cent in 1984-85.

In 1950-51, tea was the largest export item with a share of 21 per cent whereas the share of this item in India's total exports came down to a little more than 6 per cent (15.66) in 1984-85. Cotton textiles which constituted the second biggest item of India's total exports in 1950-51 accounting for more than 19 per cent came down to the low level of a little over 4 per cent in 1984-85 (15.7). Jute manufactures were occupying third place in India's exports in 1950-51 with the relative share of nearly 19 per cent but these went down considerably to nearly 3 per cent in 1984-85. The exports of spices which came next to jute manufacture and formed nearly 7 per cent of the country's total exports in 1950-51 accounted for only about 2 per cent of exports in 1984-85. Exports of tobacco which had a relative share of more than 2 per cent of India exports in 1950-51 declined to 1.3 per cent of the country's exports in 1984-85.

The shares of non-traditional items in India's exports were very low, i.e., 8.34 per cent in 1950-51. Among them the biggest share was that of a single item, leather and leather products, with a nearly 6 per cent. Iron ore constituted a relative share of 1.5 per cent. Engineering goods were at a very low ebb. In 1984-85, jems and jewellery emerged as the largest export item under the classification of non-traditional items with a share of more than 11 per cent. The second biggest item which emerged on the scene was engineering goods with a relative share of more than 6 per cent. Another item which also came up as one of the important non-traditional item was ready-made garments constituting nearly 5 per cent, followed by chemicals and allied products with a share of nearly 4 per cent. The remaining two important non-traditional items, namely iron ore and fish and fish preparation gained momentum in exports. Their share rose to 3.9 per cent and 3.2 per cent respectively in 1984-85 as compared with 1.5 per cent and 0.4 per cent respectively in 1950-51.

All this shows that though in absolute term there has been a continous increase in the total exports of both traditional and non-traditional items, in relative terms, traditional items are losing ground whereas non-traditional items are on the increase in the field of exports and a more rational policy is needed since increase in the relative share of non-traditional items should not be at the cost of traditional items. This is because traditional items are as important as non-traditional item in the matter of exports.

On current indications, exports seemed to have done very well during 1983-84 in respect of gems and readymade garments, tea, sugar, cashew kernels, spices, cotton raw, handmade carpets, crude oil and other minerals, fuel and lubricant products.

Gems and Jewellery

The gems and jewellery exports now constitute a major growth sector in India's exports. Exports of these items are estimated to have reached Rs. 1,324 crores during 1983-84 or approximately 14 per cent of country's total exports during the year. For the last few years, the world diamond trade has been faced with a recession which has had a greater impact on the demand for large sized diamonds than for small sixed. The demand from U.S. and other consumer markets seems to be inclined in favour of Indian cut and polished diamonds. To feed the raw material requirements of this export-oriented industry, certain facilities have been made available to it, in the matter of procurement of materials. Most of the processing of rough semi-precious stones in India is done at Jaipur and Cambay in addition to Tiruchirapalli.

Handicrafts

Indian handicrafts are becoming steadily popular in the international market. They constitute an important cottage industry of the country and provide employment to nearly 25 lakh artisans. There is a large number of handicrafts which comprise a wide range of artistic products. Woollen carpets and druggets, art metalware, hand printed textiles and scarves, woodwares, zari, ivory products, etc., are the principal items of handicrafts which are exported. Woollen carpets and druggets, however, occupy the most important position among the export items, accounting for almost 45-60 per cent of the total exports of handicrafts from the country.[1] Indian carpets had to face severe competition from countries like China, Pakistan, Korea and Taiwan in the international market. A Carpet Export Promotion Council was set up in 1982 exclusively for the promotion of carpet exports.

The Sixth Plan provides an allocation of Rs. 56.40 crore for the development of handicrafts. Major programmes for development include (a) training in carpet weaving, art metal-wares, cane and bamboo and hand printed textiles, (b) schemes for marketing assistance, (c) design research and technical development, (d) exhibitions and publicity, (e) survey and studies, and (f) export of handicrafts.

Textiles

The textiles sector plays a very important role in India's national export effort. The items in this category cover a wide range of products. These include readymade garments, cotton textiles and made-ups, handloom products, silk, wool and

1 Ibid., p. 392.

woollen products, man-made textiles and coir products. With a view to increasing exports of these items, the Government have taken a number of steps.

A Central Advisory Council on Textile Industry was constituted on 29 November 1983 to advise the Government on matters of policy, programmes and measures for the orderly growth and development of the industry. The Exports of textiles are subject to quantitative restrictions imposed by a number of industrialised countries. This has restricted the scope for increase in their exports. There was an extension of the Multi Fibre Agreement (MFA) on 22 December 1981 for a period of more than 4 years. It was expected to prove beneficial for developing countries including India, as some of the restrictive clauses have been removed and higher growth rates provided. India has already concluded textile agreements under the aegies of MFA with U.S.A., European Economic Community, Canada, Australia and Finaland for a 4 year period with effect from 1st January 1983. In November 1983 a new bilateral textile agreement was concluded with Sweden which will ensure better access to the Swedish market.

Project Exports

From a modest beginning in 1973 project exports expanded rapidly in the aftermath of the oil boom when oil producing countries of West Asia embarked on massive developmental construction. Apart from providing a whole range of consultancy and technical services, Indian firms have attained a certain degree of competence in the fields of both civil construction and industrial turn-key projects. In order to sustain and give a fillip to project exports, a separate export promotion council, viz., Overseas Construction Council of India, has been set up to deal with overseas construction and civil engineering projects.

Foreign trade is trade between two countries or two different markets. It is therefore desirable that the foreign markets are simultaneously cultivated to serve as cushion not only to meet the situation arising out of recession in the domestic market but also in situations where higher capacities as such have been created to meet the future demands.

Export of non-traditional items, especially engineering goods, very much depend upon the image of a country. Today Japanese, German, British and American goods can be sold easily but Indian engineering goods face difficulties. It takes time to convince customers of capacities and capabilities of a country to meet their exact requirements.

The easiest way to do so is to penetrate the world markets in a big way with complex sophisticated capital goods which can build India's image as an industrial nation, paving thereby way for exports of their less sophisticated goods.

Development in India's Trade Policy

The export-import policy of the country has, in the recent years been increasingly export-oriented and production-oriented. Several liberal provisions have been incorporated in the framework of the policy with regard to import of raw materials, components, capital goods and upgradation of technology with a further simplification and streamlining of procedures. The import and export policy for 1984-85 was formulated to improve export performance keeping in view the global economic environment, and the needs of the domestic economy. The policy seeks to provide a further impetus to production for export to make all possible savings in imports, strengthen and develop the production base through continuous access to all necessary inputs including capital goods, facilitate technological upgradation and modernisation in production, assist the small scale sector in export production and to further simplify and streamline procedures.

In April 1985 the export-import policy was announced, for the first time, for a period of three years ending March 1988 with the objective of imparting continuity and stability to the policy. This medium term policy was calculated to minimise year to year uncertainties and thereby help the industrial sector to plan its economic activity with a broader perspective. The present policy incorporates a number of recommendations of the Committee on Trade Policies, which was set up in July 1984 and which presented its report at the end of 1984. Some of the major recommendations of the Committee have been incorporated in the current import-export policy. These include the announcement of import-export policy for a period of three years, of the category of automatic licences, introduction of the import-export pass-book scheme for manufacturer-exporters and canalisation of imports through enterprises not charged with manufacturing the concerned items. The committee's recommendations favouring a greater role for tarrifs in regulating imports have also been included in the Government's Long Term Fiscal Policy.

In order to meet the requirements of machinery for modernisation of export production, 201 items of industrial machinery have been included in the list of capital goods.[1]

Import of 53 items has been decanalised because the Government concluded that the basic objectives of canalisation (namely, purchase in bulk for securing better terms of trade, development of long term sources of supply, etc.) were not being achieved in these cases. The procedure for supply of imported inputs to actual users by the canalising agencies has also been streamlined so as to eliminate avoidable delays. In the general principal a manufacturing company should not be the canalising agency for the product it produces. All types has now canalised through the State Trading Corporation and

1 Economic Survey, Government of India, 1985-86, p. 92.

and import of certain iron and steel items through the Minerals and Metals Trading Corporation of India.

The policy has several features aimed at improving export performance. A new scheme known as 'Import-Export Pass Book Scheme' has been introduced for manufacture exports to provide duty free access to imported inputs for export production. The scheme has become operational in January 1986. The scope of duty free exemption scheme for import of raw materials required for finished products as well as for intermediate products has been further enlarged.

Special facilities for capital goods, raw materials, etc., shall now be available only to those non-resident Indians who are returning to India for permanent settlement for setting up industries or investment in industries in India.

Export Promotion:

Export promotion is a national task. In order to promote exports, the Government has initiated several institutional, infra-structural and fiscal measures. The objective of the Government is to promote exports to the maximum extent but in such a manner that the economy of the country is not affected by unregulated export of items essentially needed within the country. Export control is, therefore, exercised in respect of a limited number of items whose supply position requires that their export should be encouraged in the larger interest of the country.[1]

The Cash Compensatory Scheme (CCS) is an important instrument of export promotion. CCS is allowed on a selective basis primarily with the objective of compensating the exporters for the elements of unrefunded taxes and duties paid on the inputs required for the manufacture of goods exported. The Duty Drawback Scheme by which exporters are allowed reimbursement of customs and central exercise duties paid on raw material, components and packaging material used in the manufacture or packaging of export products, has been further modified so as to facilitate quicker settlement of duty drawback claims.

In order to step up export production, the large Export House and companies covered under FERA (Foreign Exchange Regulation Act) have been allowed to set up capacities outside the list of industries included in the Appendix of the Industrial policy of 2 February 1973. Several steps have been initiated to provide requisite transport facilities for exports. The Internal Container Depots (ICDs) have been set up at Bangalore, Coimbatore and Guntur. A specialised Export Import Bank (EXIM) has been set up to facilitate export finance. The Trade Development Authority and the Trade Fair Authority of India are engaged in the exhibition of Indian products through participation in international fairs in different parts of the world.

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1 India - 1984, op.cit., p. 396.

In addition to the two Free Trade Zones (FTZ) at Kandla (Gujarat) and Santa Cruz (Bombay) four more free trade zones have been set up at Falta (West Bengal), NOIDA (Uttar Pradesh), Madras and Cochin. The total number of units working in the Kandala Free Trade Zone (KFTZ) in 1983-84 was 93 as against 83 in 1982-83. The number of employees in this zone increased from 6,500 in 1982-83 to 7,500 in 1983-84. The number of industrial units working in Santa Cruz Electronic Export Processing Zone (SEEPZ) has also gone up to 48 in 1983-84 from 45 units in 1982-83. The total exports from SEEPZ and KFTZ during 1983-84 were valued at Rs. 88.62 crore and Rs. 107.30 crore respectively. The Government has also introduced a cent per cent export oriented scheme from 31 December 1980, in order to have local advantage in production and all the facilities of a free trade zone. Response to the scheme is quite encouraging. As on 31 March 1984, 45 units have commenced production and exports effected by these units to sell 25 per cent of their output in the domestic market against valid import licence.[1]

Attached and Subordinate Offices

The export promotion offices at Bombay, Calcutta, Madras, Cochin, Nagpur, and Pune are also functioning, each of them under the administrative control of a regional Joint Chief Controller of Imports and Exports/Deputy Chief Controller of

1 Ibid., p. 398.

Imports and Exports.[1]

South Asian Region - The South Asian neighbours of India includes Afghanistan, Nepal, Nepal, Sri Lanka, Maldives and Bhutan. India's balance of the trade with the countries of this region has continued to remain adverse. Various delegations both from the private sector and at the official level have been exchanged visits with a view to identifying areas of natural interest and for removing constraints in the promotion of exports of these countries.[2]

West Asia and North Africa - India has trade agreement with 11 countries of this region. These are the Arab Republic of Egypt, Algeria, Iraq, Jordan, Kuwait, Libya, Morocco, the People's Democratic Republic of Yemen, Syria and Tunisia. India also has joint commissions with some of these countries with a view to devising measures for improving and diversifying trade flows with these countries of the region.

Africa (South of the Sahara Desert) - India has taken measures designed to increase trade, joint ventures and bilateral cooperation with African countries south of the Sahara Desert also.

The countries of this area with which India has trade agreements include Ethiopia, Ghana, Kenya, Liberia, Senegal, Uganda, Zimbabwe, Zambia, Nigeria and Cameroon. A plan for

1 Ibid., p. 400.
2 Ibid., p. 398.

technological cooperation has been prepared in consultation with National Research Development Corporation for selected African countries. The plan has been prepared in response to a feeling in most of those countries that the Indian technology is most suited to their needs and environment.

East Europe - The East European region continues to hold a prominent place in India's foreign trade, accounting for about 24.6 per cent of India's total exports (excluding crude oil) and 12.7 per cent of total imports during 1982-83. India has trade agreements with all the countries of East Europe. The trade protocol for 1984 with the U.S.S.R. anticipated a total trade turnover of about Rs. 3,840 crore as against the 1983 trade protocol projection of Rs. 3,626 crore.

West Europe - India has trade agreements with most of the West European countries. The most important of these is Indo-EEC Agreement for Commercial and Economic Cooperation. A new agreement with the EEC (which replaced the old one signed in 1978)[1] was signed in June 1981. The new agreement is for a duration of 5 years and is designed to promote closer trade and economic relation between the Community and India. It seeks to include India in its trade promotional efforts through the India-EEC Trade Promotion Programme. Some of the activities covered by the programme are India's participation in trade fairs held in European countries, buyer-seller meets, exchange

1 Ibid., p. 402.

of delegations, workshops in different export oriented industries in India and Europe and specialised training for Indians in different industries.

<u>North America</u> - The United States is one of the leading trade partners of India with a sizeable two way trade. Major items of India's exports to USA are crude petroleum, diamonds, readymade garments, cashew, marine products, leather and leather products, carpets and rugs, chemicals and allied products, jute fabrics etc. Over the years there has been significant diversification in the trade between the two countries and India now exports non-traditional items including manufactured goods with high value added contents.

Canada is a growing market for Indian products, particularly non-traditional items. India's principal exports to Canada are textiles and clothing, engineering goods, chemicals, leather and leather products, jute carpets and rugs, tea, precious stones/jewellery, spices, coffee, fruits and vegetables and handicrafts. A feature of India's exports to Canada is that finished and semi-finished products are gradually replacing the traditiona raw materials.[1]

<u>South America</u> - The South American region comprising Latin America and the Carribbean countries accounts for about six per cent of the country's international trade. India continues

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1 Ibid., p. 402.

to be an insignificant trading partner of the countries of this region. Argentina, Venezuela, Maxico, Brazil, Trinidad and Tobago, the Antilles, Guyana, Peru and Uruguay have so far been India's most important export markets in this region. Brazil, Mexico and Argentina have been important source of oil supply. Sizeable imports of vegetable oil and crude oils have been made in recent years from Brazil and Mexico respectively. Balancing of trade with the South American region has not yet been very easy because of distance, lack of adequate shipping and air cargo facilities. However, efforts are being made to improve the situation.

Joint Ventute Abroad

India has set up joint venture abroad as a part of its overall strategy of increasingly participating in the development process of the third world. At the end of December 1983, there were 235 joint venture proposals out of which 154 joint ventures had reached the stage of production. Among the 154 joint ventures that have become operational, 94 are in the manufacturing sector, the maximum being in the field of light engineering, followed by textiles. Other industries in which they have been set up include chemicals and pharmaceuticals, palm oil refining, iron and steel products, paper, glass, etc., In the non-manufacturing sector, the largest number are for trading and marketing, followed by hotels and restaurants. Regionwise the largest number of joint venture are located in the neighbouring countries of South and South East Asia (82) followed by Africa (26).[1]

Public Sector Agencies

State participation in foreign trade plays a vital role in the planned economic development of a country. In the centrally planned economies like those of the USSR, China and other East and Central Europe countries, both exports and imports are the complete monopoly of the state. The state also plays an important role in the countries of Western Europe, the United States, Canada, Australia, New Zealand and a large number of nely independent developing Afro-Asian countries.

In India the idea of establishing state trading agencies to handle foreign trade was first mooted during the Second World War. It has remained a live issue for a long time, although the background against which it was projecte has been continually changing. It was only in 1949 that actual steps were taken to examine the necessity for setting up a state trading organisation in India. The then Minister of Commerce made the following statement on the floor of the Parliament:

> We propose to keep the position under constant review and if we consider that in any particular respect the regulatry powers and fiscal powers are providing inadequate or the state is likely to benefit in a large measure by changing the pattern of trade, we will not hesitate

1 Ibid., p. 402.

> to supplement by more positive action on our part. In addition, we propose to examine and consider whether it is necessary to set up a State Trading Organisation, in order, firstly to facilitate the development of trade with hanus and secondly to assist Government in solving different lies and problems for to be inadequate.

With this end in view, the State Trading Corporation of India was set up on May 8, 1956 which has now branched off into several subsidiaries and also into a separate Corporation, viz., Minerals and Metals Trading Corporation of India Limited, established in October 1953.[1]

The Export Policy Resolution of 1970 says that the role of public sector in the development and extension of our foreign trade would be extended progressively and substantially.

With this end in view, the Government of India has been giving greater and greater responsibility to public sector. agencies by adding a number of items to the list of canalised export and import items. Upto 1968-69, import of only 11 items and export of only 20 items were canalised through the public sector agencies. In 1904, the number increased to 210 for imports and 28 for exports. The volume of trade of canalised export items increased from 14 per cent in 1971-72 to 25 per cent in 1972-73. Similarly, the canalised exports have increased to about 70 per cent

For increasing state participation in the country's

1 Committee on Public Undertakings, 40th Report (4th Lock Sabha).

export and import trade a number of public sector agencies have been set up. A discussion of these agencies is being given in the following paragraphs:

State Trading Corporation

The State Trading Corporation of India (STC) was registered in 1956 under the Indian Companies Act. Its main objective is to enlarge the scope of India's exports and to arrange for India's essential imports. It also provides a number of services to the small scale sector to enable it to enter the export market. The STC achieved a turnover of Rs. 1,832.1 crore in 1982-83. This consisted of exports worth Rs. 630.5 crore, imports worth Rs. 188.2 crore and domestic sales worth Rs. 13.4 crore.

Among the public sector agencies created by the Government of India for increasing state participation in India's foreign trade, State Trading Corporation has been playing an important and effective role in the achievement of the Government's objectives. Apart from the rapid strides made in the enlargement of its turnover year after year, the Corporation is also getting itself entrenched more and more in the various fields of imports as well as exports of the country. The Corporation's performance in the last few years has created considerable interest in the public sector.

The Project and Equipment Corporation (PEC), a subsidiary of State Trading Corporation, was created to give impetus to the export of engineering equipment and projects from India. It specialises in the export of railway rolling stock, heavy equipment and the exectuvion of turn-key projects and identifies technological competence of manufacturers of goods and of other agencies for services, ensuring the fulfilment of contractual obligations in respect of quality and delivery schedules.

Minerals and Metal Trading Corporation

The Minerals and Metal Trading Corporation (MMTC) occupies a prominent place in India's foreign trade in minerals and metals.

The exports of MMTC comprise iron ore, manganese ore, coal and chrome ore and the imports, mainly of fertilizers, aluminium and stainless steel.

The Corporation has also been entrusted with the task of importing rough diamonds from producing countries and other markets for sale to Indian diamond exporters against their REP (Registered Exporter Policy) and advance import licenees. The corporation has also made a modest entry into the international market for cut and polished diamonds.

The Mica Trading Corporation of India (MITCO) was set up on June 1, 1974 and is a subsidiary of the MMTC looking after the export of processed mica including mica scrap and waste. More than 80 per cent of the purchases of mica by MITCO are made from economically weaker sections. To increase the exports of value added mica products, instead of processed mica only, MITCO has taken up a number of projects such as mica capacitor unit, micronised mica power plant, mica paper units, mica paper and mica splittings and insulated products.

Tea Trading Corporation of India

TheTTea Trading Corporation of India (TTCI) was established in 1971 to create a stable export market for India tea, particularly in their valued added forms, namely, packaged tea, tea bags, instant tea, etc. Other activities of the Corporation include marketing of teas for domestic consumption, management of the tea gardens, warehousing of tea and provision of other facilities beneficial to the tea industry.

Export Credit and Guarantee Corporation

The Export Credit and Guarantee Corporation Ltd. was originally set up in 1957 as Export Insurance Corporation. Later, on 15 January 1964, it was transformed into the present Export Credit and Guarantee Corporation Ltd. The primary objective of the Corporation is to promote exports from India by providing export credit insurances guarantee facilities to Indian exporters and commercial bankers.

Trade Fair Authority of India

In order to give a new orientation to country's state policy through fairs and exhibitions, The Trade Fair Authority of India (TFAI) has been set up as a Government company under the Companies Act, 1956. It took over the functions of the erstwhile Directorate of Exhibitions and Commercial Publicity, the Trade Fair Organisation and the Indian Council of Trade Fair Exhibitions. The Authority started functioning in Marcy 1977. The main functions of the TFAI are participation in international trade fairs, holding exclusive Indian exhibitions abroad, organisation of exhibitions, fairs and specialised displays in India, provision of assistance to Indian parties for direct participation in international fairs, organisation of commercial publicity through mass media, etc.

An India International Trade Fiar was held in November 1983 in New Delhi. Thirty small countries (in whose pavilions 297 foreign companies were represented) participated at the national level, besides 10 foreign companies which participated directly.

Performance of Developing Countries in Recent Years

Exports of oil importing developing countries have grown faster than the world trade in general since 1974 (in volume terms). With less protectionism they would have done this to a larger degree. In 1984, exports of non-oil developing countries were in 12 per cent higher than in 1983, more than the increase of 9.9 per cent registered by the industrialised countries.

Imports of merchandise other than fuel by the developed countries from the developing countries, have expanded. In fact a doubling in the growth of imports of manufactures from the developing countries have more than made up the slower growth in imports of foods and raw materials other than fuel. This has been basically due to a shift in the relative advantage enjoyed by different countries and the emergence of developing countries as important and competitive suppliers of many products.

In 1983 imports of manufactures by the industrialised countries from developing countries registered an overall increase of 6 to 7 per cent. This expansion in the trade in manufactured goods was spearheaded by a small number of developing countries, which were able to widen their markets even in the 1973-75 recessionary period by vigorous export production, and by diversification into new more skill-intensive products. They began with clothing, textiles, footwear and other labour intensive products. Later they added higher products to their exports and they started exporting heavy engineering products. As a result the share of the developed countries in the import of manufactured goods increased to 13 per cent in 1980 as against 7 per cent in 1970.[1]

In 1984, exports of manufactures from developing countries increased by 14 per cent as against 12 per cent from industrialised countries.

Terms of Trade

Table No. 4 gives the terms of trade to developed and developing countries. The table shows that developing countries had adverse terms of trade till 1972. Thereafter there was a significant improvement due to a sharp rise in commodity prices and the oil price hike. The terms of trade of developing countries have shown much greater improvement due to many oil price hikes. On the other hand, commodity prices kept fluctuating, reaching a peak in 1974 and a trough in 1976, again reaching a peak in 1981, followed by a fall thereafter. In addition, oil prices have also stabilised now. With 1980 as base while the terms of trade of developed countries improved to 101 in 1983, those of developing countries declined to 98. For oil importing countries, they declined to as low as 91.[2]

As a result of the deterioration of their terms of trade, while their exports have grown at a steady pace, their exports earnings have not increased proportionately. The terms of trade

1 World Bank, World Development Report, 1982.

2 Varshney, R.L., Foreign Trade Review, December, 1985, p. 158.

Table 4

TERMS OF TRADE

Year	Developed countries	Developing countries	Petroleum exporting countries	Other developing countries	Export price indices of primary commodities (1980 = 100)
1960	117	51	22	120	27.9
1970	122	42	19	125	33.3
1972	123	42	21	119	34.7
1974	108	80	61	131	72.8
1975	109	79	60	129	58.5
1976	109	79	63	1	64.6
1977	106	80	63	124	81.0
1978	108	75	56	116	75.5
1979	107	83	69	109	87.1
1980	100	100	100	100	100.0
1981	98	107	117	92	84.4
1982	100	103	115	98	70.4
1983	101	98	103	91	74.8

of developing countries may deteriorate further as commodity prices continue to fall. As pointed out by The Economist, due to computerised stock controls, companies need not carry expensive piles of raw materials. Thus the demand for commodities appears to be weakening. Large price increases of the seventies have accentuated the saving and substitution process. At the same time, supplies of energy and raw materials from new sources have increased, exerting further downwards pressure on prices.

Growing Importance of Multinationals

New forms of trade, such as sub-contracting or counter trade have now become more important. In 1976, the share of the exports of developing countries marketed by the multinationals exceeded 70 per cent for a wide range of commodities, while in the case of manufactures it ranged from 10 per cent to 70 per cent, depending on the economic condition of the developing country concerned.[1] Thus, intra-firm trade acquired great importance in the 1970s, to the extent that some analyses indicate that nearly 50 per cent of the total world trade is accounted for by intra-firm trade.

Prospects

The developed countries as major partners in world trade should recognise that interdependence of countries has been

1 Trade and Development Report, 1982, p. 77.

increasing and that they share a common interest in the survival of the multilateral trading system. As the largest traders of the world, it is for the developed countries to make the first move to remove the protectionist measures adopted by them and restore the smooth functioning of the world trading system according to the GATT principles. But the million dollar question is: Will they make the move ? With the continued high unemployment rates (11 per cent at present), this appears doubtful. The massage of the Jenkins Bill by the US Senate is a pointer in that direction.[1]

Much will depend upon whether the industrialised economies witness a sustained recovery and whether the development countries get the necessary resources under Official Development Assistance and from international institutions on concessional terms.

Reduced rate of inflation and likely stability in oil prices may perhaps bring some relief to the development countries by reducing their import prices. But increased capital flows at concessional terms by themselves would not be enough. They should be provided better access to the markets in developed countries to improve their export earnings and purchasing power. Of course, it must be emphasised that the developing countries have to ensure that the resources obtained by them have to be effectively and efficiently utilised.

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1 Ibid., p. 78.

The State Trading Corporation of India plays an important role in implementing the Government's foreign trade policy and programmes. Its activities encompass exports and imports as well as domestic trade in selected items.

As the Corporation's trading activities have been diversified over the years, the following subsidiaries have been formed to look after the specific area of trading operations: (1) Handicrafts and Haldloom Export Corporation Ltd., (2) Cashew Corporation of India Ltd., (3) Project and Equipment Corporation of India, and (4) State Chemicals and Pharmaceuticals Corporation of India Ltd.

It exports during the past years were, amongst canalised items, cement and caster oil, which led to a spurt both in terms of volume and value.

Other major items of export are coffee,processed foods, footwear, textiles, plywood, chilled meat, live sheep, alcohol and molasses and semi-processed leather. Bulking of exports, promotion of joint marketing groups, marketing assistance through its world wide network of foreign offices and financial/technical assistance for export production, are some of the strategies followed for export promotion.

The Corporation continues to import scarce and essential raw materials for the industry. Major items of imports are newsprint, raw wool, edible oils (palm, soyabean, rape-seed, sunflower, etc.), tallow, rayon, grade wood, pulp, carprolactum, synthetic rubber, etc.

The Corporation undertakes forward purchases and maintains buffer stocks of essential import items such as newsprint and edible oils to ensure regular supplies to the industry.

Conclusion

India's exports made a significant advance after World War II. There was a nearly continous and extra-ordinary rapid growth in the country's world trade till 1980. The value of India's exports increased from $ 61 billion in 1950 to $ 128 billion in 1960, to $ 315 billion in 1970 to $ 1,989 billion in 1980. The country's exports increased by 3,161 per cent over a period of 30 years, showing an annual compound growth rate of 12.32 per cent. The annual growth rate of exports was highest at 20.4 per cent in 1970-71 as against 6.4 per cent in 1950-60 and 9.3 per cent in 1960-70. In 1984-85 the total exports amounted to Rs. 11,555 crores against an import of Rs. 17,092 crores leaving a trade deficit of Rs. 5,537 crores.[1]

1 Government of India, Economic Survey, 1985-86, p.85.

Chapter II

STATE TRADING CORPORATION - A HISTORICAL REVIEW

The idea of establishing an agency to handle foreign trade was first mooted during the war by the Indian commercial community itself which feared that the operations of the United Kingdom Commercial Corporation in India would deprive Indian nationals not only of the profits of export trade but also of the benefits of trade contracts with some other countries.[1] Their arguments were that if in the abnormal circumstances of war it was not possible for the normal trade to function, the Government should establish an Indian agency to handle trade with countries with which private exporters were unable to trade. It was also suggested that an organisation of this nature was very suitable for dealing with foreign purchasing missions which were operating in India at that time and which were believed to have depressed prices by their bulk purchases and canalised trade into specific directions often to the disadvantage of Indian nationals. But because of a

1 Gupta, K.R., Working of State Trading in India, S.Chand & Co. (Pvt.) Ltd., New Delhi, 1971, p. 44.

number of reasons, the suggestion was not followed up. Towards the end of 1947 and the early part of 1948, the subject cropped up again.[1] It was pointed out that while other countries were charging India very high and even discriminatory prices for foodgrains imported by her, the Government of India, by leaving the export trade to private traders, had not allowed substantial profits to be pocketed by them but missed the opportunity of charging the maximum possible prices which the foreign markets could bear. The matter was examined and the Government decided to levy export duties on cloth, manganese, oil seeds and vegetable oils so as to mop up the wide margin between internal prices and export prices. In March 1948, the matter was raised in the Central Legislature on a cut moved by Shri R.N. Goenka.[2] In March 1948, the subject was put before the Central Legislature on a motion brought up by Shri R.N. Goenka. The subject of the creation of a state trading organisation was widely discussed and it was argued that the establishment of such an organisation would help to promote the foreign trade of the country to a great extent. It was further asserted that for price stabilisation and for controlling excessive fluctuations in the pricing structure, the creation of an independent agency like the State Trading Corporation was essential.[3] This question was examined in detail at that time and it was

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1 Government of India, Report of the Committee on State Trading (New Delhi, 1950), pp. 2,4.

2 Gupta, K.R., Working of State Trading in India, op.cit., p.45.

3 Sainy, H.C., India's Foreign Trade: Its nature and problem, National Publishing House, New Delhi, 1979, p. 232.

recommended that a State Trading Corporation should be established to control and regulate export and import business in some selected commodities. But no action could be taken on these recommendations due to severe opposition from the Economic Committee of the Cabinet.

In March 1949, Shri K.C. Neogy, the then Union Minister for Commerce,[1] pleaded in favour of the establishment of a State trading organisation, for business in some selected commodities and for bringing about bilateral trading arrangements. In April 1949, the question of state trading in cotton piece-goods and the establishment of a separate State Trading Corporation were taken up by the Union Ministery of Commerce, but it could not succeed due to the conclusion reached by the Ministry that the proposal was not feasible.[2] In 1949, Indian currency was devalued due to the lowering of the currency of the United Kingdom. The necessity of the establishing the State Trading Corporation was again felt on this occasion. The Government of India appointed a Committee on State Trading under the Chairmanship of Shri Punjab Rao Deshmukh in the year 1949.[3] The Committee recommended that a state trading undertaking should be established -

(1) to take over the state trading activities of Government department such as the import of foodgrains, fertilizers,

1 Ibid., p. 232.

2 Ibid., p. 232.

3 Ibid., p. 234.

steel and coal;

(2) to take up, in addition, the import of East African cotton and the export of short staple cotton and cottage industry products, and

(3) to sponsor negotiation on behalf of private importers and exporters and enter into trading operations with monoplly organisations established in other countries.

The Committee further recommended that from certain luxury goods (the prices of which were generally high) additional revenues could be earned if these transactions were performed through a state trading organisation. The Committee examined the case of state trading in certain selected commodities and recommended it strongly.[1] These recommendations could not be implemented by the Government as the idea of establishing of State Trading Corporation was posponed. A second committee with Shri S.V. Krishnamurthy Rao as its Chairman was formed at the end of the First Five Year Plan which considered this subject seriously. This Committee was of the opinion that creation of an organisation was quite necessary in the prevailing circumstances. It recommended state trading in the export of handlooms and the import of foodgrains, cotton, fertilisers, etc. But like the Punjab Rao Deshmukh Committee's recommendations, the observation of the Second Committee could also not be any help. The Taxation Enquiry Commission was of the opinion that

1 Ibid., p. 234.

the existing machinery should be so reorganised that the full benefits of a state trading corporation could be secured. It further suggested that state trading would be successful only in times when prices had a tendency.

Keeping in view the changed economic conditions in 1953, a Committee of three was oppointed to review the recommendations. Difficulties were being experienced in diversifying and expanding India's foreign trade. The development of trade was handicapped due to lack of experience and understanding on the part of private traders in India of the trading practices followed by trading organisations in state controlled ecomies. The centrally planned countries tried to overcome this difficulty by setting up trade representation on a sufficiently large scale, the trade representatives functioning more or less as local agents of parent import and export organisations in their respective countries. The trade representatives were, however, finding it difficult to establish commercial contracts with private parties in these countries. The Government naturally hesitated to recommend suitable importers or exporters.

Besides the reluctance on the part of some of the established firms to handle trade with the centrally planned countries, individual traders who under existing conditions had to negotiate sale and purchase agreements in competition with one another, were placed at a great disadvantage in concluding deals with monopolistic trading organisation.[1] It was felt that these difficulties could be overcome only if a state trading agency intervened between Indian traders and monopolistic foreign trade organisations of the centrally planned countries.

The Government was persuaded by the Committee to think of State Trading. The instrument of quantitative regulation of imports had, in the case of some essential commodities, where local production fell short of increasing demand, proved inadequate for maintaining a steady price level or an equilibrium between supply and demand.[2] In case of raw silk, it became necessary to canalise imports from China through the Central Silk Board. Import by private parties of small quotas fixed by the Government from time to time only led to the creation of artificial scarcities which made it possible for the importers to charge exorbitant prices from handloom weavers. The same type of difficulties were faced in the case of soda ash, caustic soda and sodium bicarbonate. But the experience had shown to the Government that its economic policies in regard to commodities like soda ash could be implemented only if imports were arranged through a monopoly or quasi-monopoly organisation sponsored or reorganised by the State. Bulk imports through a State agency were expected to help the Government to hold the prices at a reasonable level and to

1 Gupta, K.R., Working of State Trading in India, op.cit., p. 49.

2 Ibid., p. 49.

regulate supplies in the market in a wayso as to serve the interests of both consumers and producers of the items conferned.

In order to finance developmental imports, the need was felt to expand and diversify exports. There existed a large market for several non-traditional goods like handicrafts, footwear and other products of cottage industries. Production in this sector was carried on by a large number of widely scattered small scale units which were not only handicapped by a lack of finance but were also ignorant of the markets. The established exporters did not take much interest in promoting the export of such items. Need was, therefore, felt for State trading in this field.

Difficulties were experienced in the export of iron ore and manganese ore. Private Indian shippers, competing with one another, were confronted with large monopolistic buyers abroad. This resulted in lower export price and consequent loss of foreign exchange. Failure of private trade to honour contractual obligations damaged the reputation of the country in foreign markets. "By the very nature, trade, in these ores is amenable to bulk handling. Long term contracting could yield better terms of trade and ensure better production and employment in the mineral industry."[1]

The recommendations of several committees as discussed above, regarding the need of a state trading set up, could not

1 Ibid., p. 50.

bear fruit for a very long time. As has been discussed earlier, the East European countries conduct foreign trade operations mostly through such government undertakings and hence there developed a number of trade bottlenecks. This attracted the attention of the private entrepreneurs who argued for the establishment of a centrally sponsored agency for dealing with these institutions in the East European countries.

A resolution seeking the establishment of the State Trading Corporation was moved in the Lok Sabha on 26 August and 9th September, 1955. The motion was warmly discussed and opposed by a number of members including the then Minister of Commerce. In the end, in November 1956, the proposal was accepted by the Cabinet.[1] It was decided to establish the State Trading Corporation of India Limited as a registered joint stock company under the Indian Companies Act. Hence, the State Trading Corporation of India (Pvt.) Ltd. (STC) was registered on 18th May, 1956, under the Indian Companies Act, 1956, as a joint stock company. The word 'Private' was eliminated from the name of the company with effect from the 6th April, 1956. At that time its authorised capital was Rs. 1.00 crore which was raised to Rs. 5 crores in the year 1958-59. Its initial paid up capital was Rs. 5,00,000. This was further raised to Rs. 10,00,000 in October 1956 and Rs. 1 crore in Marcy 1957. In the beginning, all the shares totalling Rs. 1 crore were subscribed by the Government. This subscribed capital was

1 Ibid., p. 50.

enhanced to Rs. 2 crores in the year 1958-59. The share capital of the Corporation is divided into shares of Rs. 100 each.[1] The Corporation was intended to serve as an instrument for executing the foreign trade policy of the government.

In June 1962, another Government organisation called the Indian Handicraft Development Corporation of India Ltd. was made a subsidiary of the S.T.C. and all its paid up shares of 12,000,000 was purchased by the parent organisation which was empowered to appoint or remove the directors on its Board.[2] In October, 1962, the Handloom Export Organisation, a part of the S.T.C.,was transformed into a subsidiary of the Corporation whose name was changed to Handloom Export Corporation of India Ltd. These steps were taken with a view to ensuring better coordination and concentrated efforts for promotion of exports of handloom and handicrafts.

Keeping in view the fast growing foreign trade and the effective role of the S.T.C. in the development of country's economy and to keep it from becoming unmanagable in the wake of long-term plans envisaged for the furtherance of the exports from India and the imports entrusted to its care, the government found it advisable to bifurcate the S.T.C. into two by forming a separate corporation named as the Minerals and Metals Trading Corporation of India Ltd. This new Corporation came into existance on 1st October, 1963. It took over all the

1 Ibid., p. 52.

2 Sainy, H.C., India's Foreign Trade, National Publishing House, New Delhi, 1979, p. 235.

assets and liabilities pertaining to minerals and metals trade from the State Trading Corporation of India Limited from that date. This organisation has been established to organise and regulate India's foreign trade in minerals, ores, and concentrates and other related commodities including iron, steel and other alloys. This institution also deals with the internal distribution of minerals, ores, concentrates, and metals including iron, steel, their alloys and other related materials.

Objectives of the State Trading Corporation

The main function of the State Trading Corporation is to broden and enlarge the scope of India's exports and to arrange for essential imports on economical basis. The Corporation is engaged both direct and indirect trade and brings buyers and sellers together. It assists in the conclusion and implementation of contracts, obtaining import licences, guaranteeing quality and performance, and using its good offices in matters like the settlement of disputes.[1]

The objects of the State Trading Corporation, as contained in the Memorandum of Association are:

(1) To organise and undertake trade generally with state trading countries as well as with other countries in commodities entrusted to the company for such purpose

1 Memorandom and Articles of Association of the State Trading Corporation of India, p. 1.

by the Union Government from time to time, and to undertakd the purchase, sale and transport of such commodities in India and anywhere else in the world.

(2) To undertake promotion of exports generally including exports to exporting markets whether of traditional commodities or any other, to explore new market for traditional items with a view to maintaining, diversifying and expanding the export trade.

(3) To undertake at the instance of the Union Government import and or international distribution of any commodities in short supply with a view to stabilising prices and rationalising distribution.

(4) To generally implement such special arrangements, for imports, exports, international trade and/or distribution of particular commodities as the Union Government may specify in the public interest.

(5) To barter, pledge, exchange, manipulate, treat, prepare and deal in merchandise, commodities and articles of all kinds and to carry on any kind of commercial and/or financial business as the company may determine from time to time.

(6) To buy, sell, exchange, install, work, repair, alter, refine, improve, manipulate, prepare for market, let out or hire, plants, machinery, equipment, works, vehicles, apparatus and appliances, boats, barges, lighters, bulk carriers, etc., which are necessary or convenient for carrying on any business which the company is authorised to carry on or is required by any customer or a person dealing with the company and to experiment with and to render marketable, process,

convert, fabricate and manufacture such articles, commodities and goods as may be necessary or may seem to the company capable of being undertaken conveniently in furtherance of its objects or may be calculated directly or indirectly to enhance the value of such articles, commodities and goods.

(7) To manufacture, store, maintain, sell,buy, repair, alter, exchange, let or hire, export, import and deal in all kinds of articles and things (including all kinds of conveyance and all component parts, fittings, tools, implements, accessories, materials, and all articles and things used or capable of being used in connection therewith in any way whatsoever which may be required for the purposes of any business of the company or are commonly supplied, dealt with by persons engaged in any such business and which may be capable of being profitably dealt with in connection with any of the business of the company.

The State Trading Corporation devoted the first year of its existance largely to exploration of markets, formulation of policies, experimentation with business methods and techniques of establishment of contacts with buyers and sellers both in India, and abroad. The Corporation has been trying to negotiate link arrangement with foreign firms so that essential items may be imported against the export of Indian manufactures. A number of such arrangements were conducted with countries like West Germany, Viet Nam and Hungary.

Performance of State Trading Corporation

The Corporation has provided tremendous opportunities to the State agencies to achieve the objects of checking the leakage of foreign exchange and simultaneously curtailing the malpractices prevelant in the country in the form of over and under invoicing in foreign trade. It has acted as a shock absorber and has given expert advice to the government on policies of price establisation. It has thus been possible for the government to remove certain structural weaknesses in India's foreign trade. The Corporation has reaped enormous profits from the conduct of bulk agreements, barter and link transactions and promotion of rupee trade with the countries of Eastern Europe. It established a human hair "Wig India" Plant on January 31, 1967 in Madras which is equipped with most modern machinery and has trained and skilled workers. It is an achievement that the exports and imports business presently undertaken by the Corporation have recorded an immense increase. For example the exports recorded a 27 per cent increase and the imports rose by 25 per cent over the previous years during the year 1970-71.[1] The Corporation is thus emerging as a viable unit since it has been able to curtail its losses on development exports. The Corporation has covered new ground through certain important activities like link,

1 Annual Report of STC 1970-71. The Corporation's development losses however on export were Rs. 5.5 crore during 1970-71, while this figure for 1969-70 was Rs. 1.78 crore.

barter and parallel deals with reputed undertakings abroad, in order to 'arrest the downward trend in exports and thus save a considerable amount of foreign exchange on essential imported items". It has been possible to explore new potential in the fields of foreign trade with the help of such transactions.

The well known EASI (Export Aid to Small Industries Scheme) was started by the Corporation to evolve sound traditions and promote exports of goods manufactured by small scale and medium sized industries. It has provided all the requisite facilities to such units, e.g., availability of raw materials, provision of finance, expansion in the production capacity of such units, giving expert advice in the field of publicity, packing, designing, pricing, shipment and transportation, follow up of import entitlement and provision of advice and various technical aspects of export-import trade like insurance, customs clearance, negotiations of commercial documents and letters of credit, conduct of export market surveys, training of workers, etc.[1] Thus the Corporation is providing several facilities to units which require a fillip for covering new grounds in export trade. It is also extending valuable services to the exporters as a "recourse party" for foreign bills, where it permits a credit facility to foreign purchasers upto a period of 120 days and

1 Ibid.

for which it pays 95 per cent of the price to the Indian exporters. This has resulted in a tremendous growth of exports under the EASI Scheme. The Corporation is successfully running a scheme entitled "Preparation for Export" which has been greatly welcomed in the industrial circles. It needs to be mentioned here that this scheme is being implemented by the Corporation under the EASI Scheme. The Corporation has established a network of publicity offices in overseas markets in order to arouse the interest of foreign buyers in the products of the small scale industrial sectors.

The Corporation has also achieved commendable results in conducting internal trading operations in several commodities, e.g., in cement, purchase and sale of imported cars and a number of essential items.

The Corporation was entrusted with the task of the distribution of cement in the country soon after the promulgation of the Cement Control Order (on 1st July 1956).[1] At the initial stages the Corporation has to face a number of technical problems. As a result of this order, manufacturers and producers of cement started earning huge profit by indulging in the black marketing of cement at exorbitant rates. This resulted in bringing a great disparity in cement prices in the country.

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1 Annual Report: State Trading Corporation 1957-58.

The Corporation started purchasing cement from the producers and attempted to organise the distribution of this scare commodity in an efficient and systematic way. The Corporation had to bear some losses at the initial stages. It peforms its functions of cement distribution with the help of various selling agents all over the country who were paid a nominal commission. The Corporation did this work in a commendable manner till the issue of the Cement Decontrol Order on 1st January 1966. After the promulgation of this order, the Corporation has no longer been concerned with the distribution of cement.

The Corporation is also entrusted with the purchase and sale of imported cars brought into the country by diplomats and other privileged persons. The State Trading Corporation prepares a priority list for the disposal of these cars in consultation with the Government and sells these vehicles to indenters belonging to priority categories and also through open tenders.

The Corporation also acts as the Government's representative for undertaking exports of commodities produced by the various public sector undertakings in the country, e.g., The Hindustan Machine Tools Ltd., Indian Telephone Industries Ltd., Hindustan Antibiotics Ltd., Integral Coach Factory, Hindustan Instruments Ltd. and the like.

The State Trading Corporation is the largest shareholder in the Indian Motion Pictures Export Corporation set up in 1963[1] for promotion and diversification of exports of Indian films. It plays its role as a catalytic agent in initiating, regulating, supervising and actual performance of the activities of this Corporation in export and import trade.

The Corporation, in addition to export of several new commodities, had made it possible to import various essential items and capital equipment without putting a drain on the country's scarce foreign exchange resources. It has brought a new trend in India's export performance by promoting the export of commodities handled by it.[2] It also provides requisite facilities to the private entrepreneurs and exporters to explore potential markets in various regions. Thus India's foreign trade with different regions has been increasing substantially. The Corporation has also provided significant help to different export promotion agencies established in the country. It prepares annual regionwise plans for trade with foreign countries, conducts on the spot surveys with the help of the private sector and thus plays a significant and vital role in the formulation as well as final implementations of export strategies. It is an important phenomenon to be noted here that "all credits for imports and debits for exports are channelled through a central account maintained in rupees without actual transfer of funds between the two

1 Annual Report of the State Trading Corporation 1965-66.

2 Sainy, H.C., India's Foreign Trade, p. 246.

countries"[1] and finally the settlements are made in non-convertable rupees.

One cannot, however, claim that this state owned public undertaking is without defects. It has a special set-up and peculiar norms of working because it has also been producing a number of goods as per government policy and implement the distribution policies of the government along with producing a few commodities like human hair wigs. Hence this Corporation does not have to face drawbacks and short-comings like labour troubles, organisational lacuna etc. from which the other public sectors undertaking suffer greatly. But still the prominent defects which are found in almost all the state-owned and state-operated units are prevalent in the State Trading Corporation too. It exhibits several features of bureaucratic control, lack of long-range thinking, inflated costs which cramp initiative or foster inefficiency, lack of decisiveness on account of which most of the workers become quill drivers, resulting in waste, delays and the unwieldly over-grown size of the departments.[2]

During the last few years there had been large scale canalisation of imports through State Trading Corporation and the imports are made at the instance of the Government it being a Government undertaking being run exclusively by the Government as a monopoly. The consumers have no voice in

1 Annual Report of the State Trading Corporation, 1965-66.
2 Sainy, H.C., India's Foreign Trade, p. 248.

the matter and they have to pay the prices demanded by the Government. The State Trading Corporation transfers its responsibility to the Government departments where prices are fixed. The Corporation is said to charge heavy commissions for the services rendered which results in huge profits for it. In many instances the main objective is profit instead of public good. It is said that the State Trading Corporation has also evolved several dubious practices of selling goods on the high seas and avoiding sales tax and finally getting them cleared from the customs on its own licence.[1] Thus, instead of checking the over invoicing of imports and cutting unintended trading profits, the State Trading Corporation itself is earning enormous profits. The goal of price establisation also remains unattained. The State Trading Corporation is said to have used its profits from imports to compensate for the losses from exports.

The Estimates Committee of the Lok Sabha, set up from time to time, has brought out a number of weak points of the State Trading Corporation, in regard to defective purchasing procedure, inadequate attention being paid by the Corporation to the business interests of the country (and especially the private sector), the Corporation's encroachment on the fields of private entrepreneures and a number of related things. The Corporation has, however, attempted to

1 Chairman's Speech, Annual Report, State Trading Corporation, 1969.

remove these drawbacks to a great extent.

As it is discussed earlier, the State Trading Corporation provides requisit facilities to the small scale industries, entreprenures, exporters to expand potential markets in different foreign countries. In this way foreign trade from these countries has been increasing substantially. The State Trading Corporation also provides significant help to the different export promotion agencies which are newly established in the country.

The performance of STC is shown in Table 1 and Table 2 through the imports and exports of this Organisation and its share in India's trade.

TABLE 1

STC's Share of India's Trade in Import between 1956-57 to 1984-85

(Rs. in crores)

Years	India's Total Imports	STC's Total Imports	STC's Share in India's Imports
1956-57	832.45	3.40	0.40 %
1960-61	1,139.69	26.69	2.34 %
1964-65	1,349.03	33.93	2.34 %
1968-69	1,908.63	114.06	5.97 %
1972-73	1,867.44	159.20	8.52 %
1976-77	5,073.79	301.25	5.93 %
1980-81	12,560.29	1,214.04	9.66 %
1984-85	17,092.10	2,119.00	12.39.%

Data set in table 1 reveals that in 1956-57 India's total imports stood at Rs. 832.45 crores whereas total imports through STC ammounted to Rs. 3.40 crores which constitutes 0.4 per cent of India's total imports. In 1960-61 the relative share of STC in India's total imports went up to 2.34 per cent and showed further improvement in 1968-69 where it stood at 5.97 per cent of the total. In 1972-73 this total further gone up to 8.52 per cent. In 1976-77 it declined by nearly 5.0 per cent and again went up to 9.66 per cent. In 1984-85 the share further went up to 12.39 per cent of India's total imports. This all indicates that the relative share of STC in India's total imports has been gradually increasing and there are indications that this situation will be more appreciable in years to come.

Table 2

STC's Share of India's Trade in Export Between
1956-57 to 1984-85

(Rs. in crores)

Years	India's Total Imports	STC's Total Imports	STC's Share in India's Imports
1956-57	612.52	05.79	0.94 %
1960-61	660.22	36.69	5.55 %
1964-65	816.30	10.51	1.28 %
1968-69	1,357.87	48.46	3.56 %
1972-73	1,970.83	170.10	8.63 %
1976-77	5,142.25	665.60	12.94 %
1980-81	6,710.71	440.49	6.56 %
1984-85	11,555.00	719.56	6.22 %

Statistics given in Table 2 indicates that in 1956-57 the relative share of STC in India's total exports was 0.94 per cent whereas in 1984-85 this share gone up to 6.22 per cent. The most revealing feature of this table is the sharp fluctuations in the export performance of STC which range from 1 to 12 per cent. The most bleaking year was the year of 1964-65 when its relative share to India's total exports stood at only 1.28 per cent and the most bright year was the year 1976-77 when it recorded an all time high figures of 12.94 per cent. The year 1972-73 also reveals a fairly improved picture when the relative share of STC stood at 8.63 per cent. Hence, it is brought out that STC's performance in relation to India's total export has not been satisfactory which yields a bold and imaginative policy so that there should be a steady growth in India's total export through STC.

FUNCTIONS OF STATE TRADING CORPORATION

The main function of State Trading Corporation (STC) is to broaden and enlarge the scope of India's exports and to arrange for essential imports on economical basis. The Corporation engages both in direct and indirect trade and brings buyers and sellers together. It therefore, assists in the conclusion and implementation of contracts, obtaining of import licences, guranteeing of quality and performance, and uses its goods offices in matters like settlements of disputes.

Objectives

The objects of the State Trading Corporation of India, as laid down in the Memorandum of Association, are as follows:

1. To organise and undertake trade generally with state trading countries as well as other countries in commodities entrusted to the Company for such purpose by the Union Government from time to time and to undertake the purchase, sale and transport of such commodities in India or anywhere else in the world.

2. To undertake promotion of exports generally, including exports to existing markets whether of traditional commodity or any other, to explore new markets for traditional items of export and develop exports of new items with a view to maintaining, diversifying and expanding the export trade.

3. To undertake, at the instance of the Union Government, import and/or internal distribution of any commodities in short supply with a view to stablishing prices and rationalising distribution.

4. To generally implement such special arrangements for import, export, internal trade and/or distribution of particular commodities as the Union Government may specify in the public interest.

5. To barter, exchange, pledge, manipulate, treat, prepare and deal in merchandise, commodities and articles of all kinds and to carry on any kind of commercial and/or financial business as the Company may determine from time to time.

6. To subscribe for, take or otherwise acquire, and hold shares, stocks, debentures, or other securities of any other Company, Cooperative Society or Society registered under the Societies Registration Act 1860.

7. To lend and advance money or give credit to such persons or companies on such terms as may seem to be expedient, and in particular to customers and others having dealings with the Company, and to guarantee the performance of any contract or obligation and the payment of money or by any such persons or companies and generally to give guarantees and indemnities.

8. To promote and establish organisation, advisory board and other suitable bodies as may be deemed necessary in order to carry out the aforesaid objects of the Corporation effectively.

9. To hold or assist in holding exhibitions in India and elsewhere of the products and articles in which the Company is interested.

10. To collect and circulate statistics and other information relating to trade, commerce and industry.

11. To buy, sell, carry on the business of manufacture and deal in goods, ware and merchandise including all convenience of necessaries of life which may be used or required by workmen or others whether employed by the Company or not and to open and keep shops or stores, and generally to carry on manufacturing, trading or other business.

12. To overcome the difficulties experienced in expanding India's foreign trade, particularly with Communist countries.

13. To maintain a steady price level and equilibrium between supply and demand.

14. To supplement private trading.

15. To undertake the processing, conversion, fabrication, manufacture and production of particular categories of goods, commodities merchandise and articles as may be directed by the Union Government from time to time.

16. To install, set up, construct, acquire, purchase, hire, maintain, run, operate and establish in India and/or abroad such machinery, plants, works, factories, equipments, apparatus and appliances and to do such other acts as may be necessary, and/or convenient for the Company for carrying on or is required by any customer or persons dealing with the Company and to experiment with and to render marketable, process, convert, fabricate and manufacture such articles, commodities and goods as may be necessary or may seem to the Company capable of being undertake conveniently in furtherance of its

objects or may be calculated directly or indirectly to enhance the value of such articles, commodities and goods.

17. To manufacture, store, maintain, sell, buy, repair, alter, exchange, let on hire, export, import and deal in all kinds of articles and things including all kinds of conveyance and all components, parts, fittings, tools, implements, accessories, materials and all articles and things used or capable of being used in connection therewith in any way whatever which may be required for the purpose of any business of the Company or are commonly supplied, dealt with by persons engaged in any such business and which may be capable of being profitable deal with in connection with any of the business of the Company.[1]

The above objectives of the State Trading Corporation of India, mentioned in its Memorandum of Association, can be classified under the following six main heads:

1. Export
2. Import
3. International Trade
4. Trade Promotion Agreement
5. Export Aid to Small Industries
6. Participation in Export-oriented Corporations

Important functions falling under each of these heads are mentioned below:

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1 All the objectives mentioned above (1 to 17) are from Memorandum and Articles of Association of State Trading Corporation of India, pp. 1-17.

1. Export

a) To promote export of traditional items, to introduce non-traditional items in the world markets and to find out new markets for Indian exports.

b) To facilitate and organise export of difficult-to-sell-items by linking essential imports with additional exports under special trade promotion agreements, etc.

c) To organise production to meet export demands and to help production units in overcoming difficulties of procuring raw materials and other essential requirements.

d) To develop new lines of exports.

e) To ensure implementation of trade plans with East European countries.

f) To help local producers by procuring at reasonable prices and to hold stocks to maintain ultimate production at optimum level of commodities with high export potential, thus avoiding dislocation in production, maintaining adequate availability for export and ensuring a fair price to the local producers.

g) To participate in fairs and exhibitions abroad so as to create atmosphere for expansion of exports and for introducing new products in foreign markets.

2. Imports

a) To import capital goods, industrial raw materials and certain scaree commodities required for the economic development of the country.

b) To import items which are canalised by the Government through this Corporation so as to ensure that adequate supplies at the right time and at the most economical prices are made and distributed to the industries and other users in a co-ordinated manner.

c) To undertake import of commodities where bulk purchase would give better terms.

d) To undertake imports from state trading countries or where monopolies are involved.

e) To import commodities which are in short supply in the country.

f) To import speculative and high profit margin items with a view, inter alia, to stablise the prices and to do distribution of such commodities in an organised manner at fair prices.

g) To ensure implementation of trade plans with the East Enropean countries and other special agreements.

3. International Trade

a) To undertake international trade in certain commodities like imported cars.

b) To undertake price support and buffer stock operations with a view to ensuring fair prices to the growers of certain agricultural commodities, to stablise internal production and to sustain foreign demand.

4. Trade Promotion Agreements

To arrange for essential imports against additional exports of traditional and non-traditional items which are specified in special agreements.

5. Export Aid to Small Industries

To assist the small scale manufactures in exporting their products by giving wide publicity to their products abroad and by arranging attractive packing, providing credit facilities, helping them in matters of shipping and exploring possibilities of exporting their products to various countries.

6. Participation in Export-oriented Corporations

To lend increasing support in the form of financial and organisational assistance to specialised export agencies like the Handicraft and Handloom Export Corporation.

Organizational Structure of the S.T.C.

The administrative structure of the Corporation is vested in its Board of Directors which consists of executive and non-executive directors from the ministries appointed by the Central Government. In other words the Corporation is a wholly owned Government Company and operates under the Companies Act. All executive authority of the Board and its implements are vested in its Chairman. To assist the Chairman, there are Executive Directors, Group Executives, Chief Marketing Managers, Chief Finance Managers, Regional and Branch Managers in India and abroad along with other managers and members of the staff.

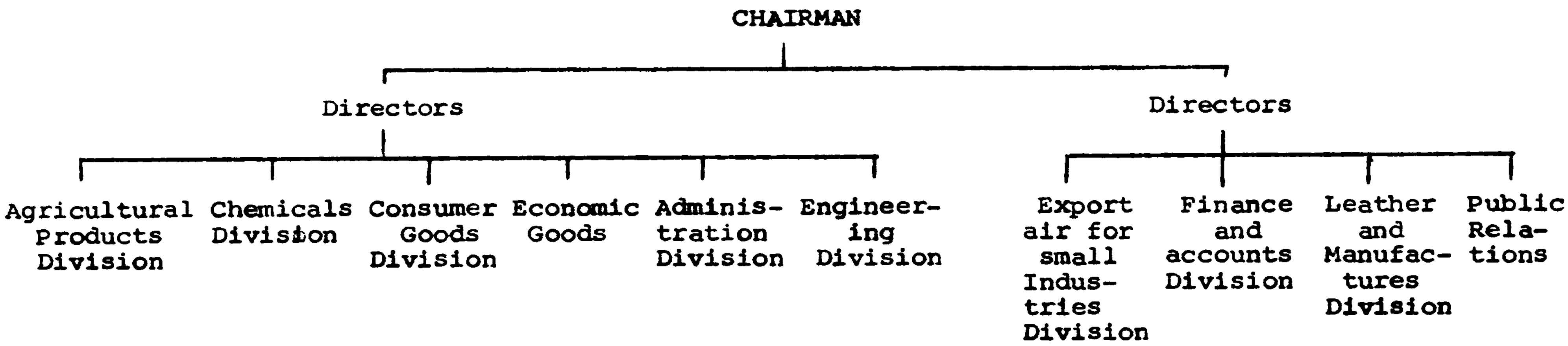
The Board is responsible for deciding the policy of the S.T.C. and its Chairman is authorised to exercise all executive authority for the implementation of the policies laid down by the Board.

The Board of Directors of the Corporation can, in terms of the Articles of Association, exercise all powers as the board of any company in the private sector can exercise. The powers of the Board are such as to make the Corporation autonomous in its operations, except that the Government has reserved to itself some powers. The decisions of the Board in such matters require the approval of the Government. Besides, the Government has also reserved to itself the powers to give directions to the Corporation with regard to finance, conduct of commercial operations of the Corporation etc.[1]

The Board works at three levels (Fig. 1). The full Board consists of full time Directors as well as non-executive Directors representing Government interest from ministeries including Finance, Commerce, Chemicals and Fertilizers, Food, Reserve Bank of India etc. The Board meets periodically to review operation (normally at least once a month), decides larger policy issues and discusses matters pertaining to senior levels of management. At the next level, there is a Committee of Management (COM) consisting of Executive Directors, functioning with delegated powers from the full Board.

1 See Appendix - Article of Association for detailed explanation of the powers of the Board.

Figure 1


CHAIRMAN
Directors
Directors
Agricultural Products Division
Chemicals Division
Consumer Goods Division
Economic Goods
Adminis- tration Division
Engineer- ing Division
Export air for small Indus- tries Division
Finance and accounts Division
Leather and Manufac- tures Division
Public Rela- tions

They work jointly as a team on all matters -- operational, financial, organisational and personnel. At the third level, each Director discharges his individual functional responsibility, keeping direct link with the Chairman, but of course, with the responsibility of keeping the Committee of Management informed. The COM meets weekly and also on an ad hock basis whenever the need arises. Quorum for the meeting is three, one of them being the Finance Director.

The President of India may appoint one of the Directors to be the Chairman of the Board of Directors and another Director as its Managing Director and one or more Directors as Executive Directors and also nominates members of the Committees of one or more Directors as members of the Committees on such terms and on such remuneration as he may determine from time to time. The President may remove any of them from the office and appoint some other person in their place whenever he likes.

The Division Making Process and Delegation of Power by the Board of Directors

The functions/powers of these Committees are described in the schedule of delegation of powers of the S.T.C. which explains that the Board of Directors delegate powers to the Executive Committee/Committee/Directors/Managers which are accountable to the parliament. These Committees/Directors/ Managers further delegate their powers to various sub-Committees/ Boards (Fig. 2).

The decision making process of the Corporation is similar to 'Line Organisation', i.e., the final decision making powers vest with the President of India through the Parliament and its Board of Directors. Usually, these Committees/Boards meet from time to time to discuss various proposals and to take decision thereon. These divisions put up their proposals duly vetted by Finance/Law as may be necessary and the notes duly approved by concerned CGM/Director are submitted to Board/Committees for consideration and decision, and then to the Executive Committee and Board of Directors. This can be illustrated in Figure The functions/powers of these Committees are described in details in the Schedule of delegation of powers.

Formation of the Board of Directors

The following is an extract from the Memorandum relating to the Board of Directors of the State Trading Corporation:

1. Subject to the provisions of section 252 of the Act the President shall, from time to time, determine in writing the number of Directors of the Company which shall not be more than 14 and less than 4. The Directors are not required to hold any qualification shares.

2. Chairman of the Board of Directors shall be appointed by the President, and other directors including the Managing Directors, if any and the Financial Adviser, if the Financial

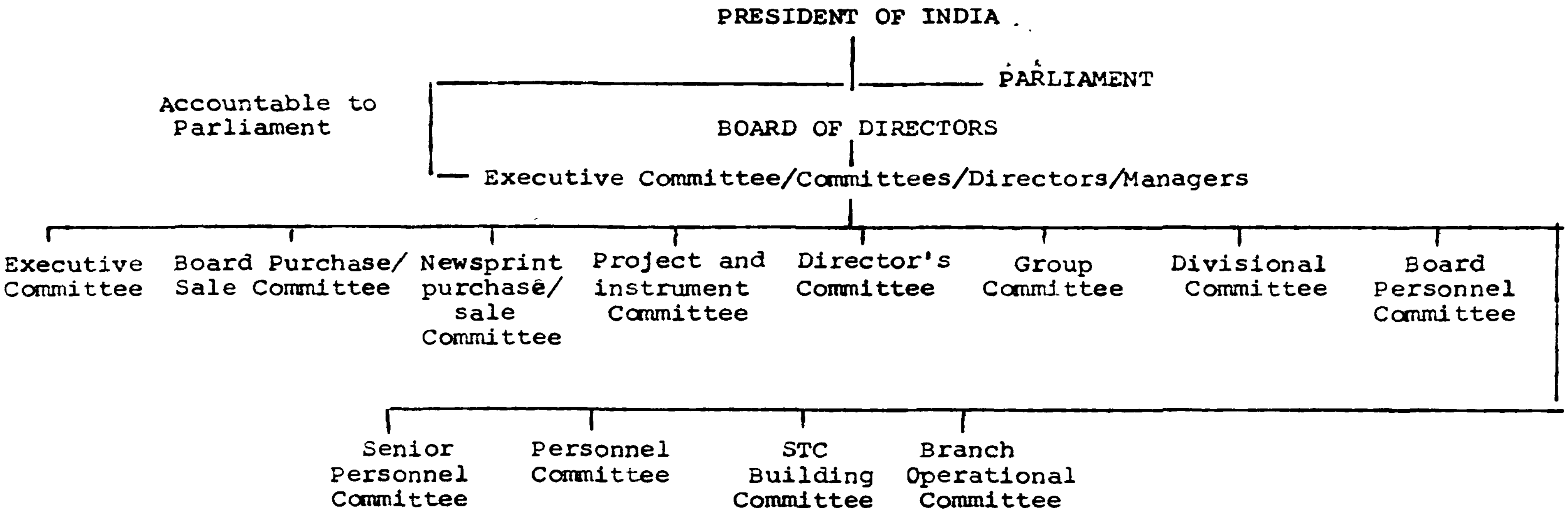

PRESIDENT OF INDIA
PARLIAMENT
Accountable to Parliament
BOARD OF DIRECTORS
Executive Committee/Committees/Directors/Managers
Executive Committee
Board Purchase/ Sale Committee
Newsprint purchase/ sale Committee
Project and instrument Committee
Director's Committee
Group Committee
Divisional Committee
Board Personnel Committee
Senior Personnel Committee
Personnel Committee
STC Building Committee
Branch Operational Committee

Figure 4

CHAIRMAN

Secretary to Board	Financial	Service & Planning	Marketing	Marketing	Marketing
	Director Function	Director Function	Director Function	Director Function	Director Function
-Legal -Secretarial -Coordination cence raffic*	- Finance - Credit service - Internal Audit -Financial Accounting - Managerial Accounting	- Branch Offices (Indian, foreign) - Management - Service Group - Economics - Operational Statistics - Marketing research - Personnel and Gen. Adm. systems O & M Management Staff Welfare. - Transport - Technical and quality control EASI**	- Agriculture products - Chemicals & fertilisers - Leather	- Textiles - General products	- Engineering - Railway equipment.

* Department setup to do expediton work to ensure that work trafic keeps moving.
** Export Assistance to small industries.

Source: A Review of the State Trading Corporation of India, 1968-69.

Adviser is a member of the Board of Directors shall be appointed by him in consultation with the Chairman. Appointments of Directors, including Chairman shall be in such number and for such period as the President may determine from time to time. The Directors including the Chairman so appointed shall be entitled for such pay and allowances, travelling allowances, leave, provident fund, medical and other facilities as may be determined by the President at the time of their appointment or thereafter.

3. The President shall have the power to remove any Director including the Chairman and Managing Director from office at any time in his absolute discretion.

4. The President shall have the right to fill any vacancy in the office of a Director caused by retirement, removal, resignation or otherwise.

5. The office of a Director shall be vacated if:

a) he is found to be unsound of mind by a court of a competent jurisdiction;

b) he applied to be adjudicated an insolvent;

c) he is adjudged an insolvent;

d) he is convicted by a court in India of any offence and is sentenced in respect thereof to imprisonment for not less than six months.

e) he absents himself from three consecutive meetings of the Board of Directors or from all meetings of the Board for a continuous period of three months, whichever is longer, without obtaining leave of absence from the Board.

f) he or any firm in which he is a partner or any private company of which he is Director accepts a loan or any guarantee or security for a loan, from the Company in contravention of section 245 of the Act.

g) he fails to disclose the nature of his concern or interest in any contract or arrangement or proposed contract or arrangement, entered into or to be entered into by or on behalf of the company as required under section 299 of the Act.

h) he becomes disqualified by an order of Court under section 203 of the Act.

i) he is removed in persuance of the section 284 of the Act.

j) he is concerned or participates in the profits of any contract with the company; provided, however, no Director shall vacate his office by reason of his becoming a member of any company which has entered into contract with or done any work for the company of which he is Director, but a Director shall not vote in respect of any such contract or work and if he does so vote his vove shall not be counted.

Disqualifications referred to in sub-clause (c), (d) and (h) above shall not take effect:

a) for thirty days from the date of adjudication, sentence or order,

b) when any appeal or petition is preferred within the thirty days aforesaid against the adjudicate sentence or conviction resulting in the sentence or order, until the expiry of seven days from the date on which such appeal or petition is disposed of, or

c) when within the seven days aforesaid, any further appeal or petition is preferred in respect of the adjudication, sentence, conviction, or order and the appeal or petition, if allowed, would result in the removal of the disqualification, until such further appeal or petition is disposed of.

6. In place of a Director who is out of India or is about to out of India or who expects to be absent for not less than three months from the State in which meeting of the

Directors are ordinarily held, the Board may appoint with the prior approval of the President any person to be an Alternate Director during his absence out of India or his absence of not less than three months from the State in which the meeting of the Directors are ordinarily held and such appointment shall have effect whilst he holds office as an Alternate Director shall be entitled to notice of meeting of the Directors and shall if so fact vacate office if and when the original Director returns India or the State or votes office as a Director.

7. The President may appoint one of the Directors to be the Chairman of the Board ofDirectors and another Director as ManagingDirector and one Director as Executive Director and also constitute Committees of one or more Directors, for such terms and on such remuneration as he may determine from time to time and may remove him or them from office and appoint another/others in his/their place.

8. The Board may from time to time entrust to and confer upon the Chairman/Managing Director, Directors, General Manager or Managers and Financial Adviser and Chief Accounts Officer, for the time being such of the powers execercisable under these Articles by the Board of Directors as it may think fit and may confer such powers for such times and to be exercised for such object and purpose and upon such .terms and conditions and with such restrictions as it may think expedient,

and it may confer such powers for such time and to be exercised for such object and purpose and upon such terms and conditions and with such restrictions as it may think expedient, and it may confer such powers either collaterally with or to the exclusion of and in substitution for all or any of the powers of the Directors in that behalf, and may from time to time, revoke, withdraw, alter or vary all or any such powers.

The business of the company shall be managed by the Board who may exercise all such powers of the company as are not, by the Companies Act 1966, or any statutory modification thereof for the time being in force or by these Articles required to be exercised by the Company in general meetings, subject nevertheless to the provisions of these Articles, to the provisions of the said Act and the directives if any, the President may issue from time to time and to such regulation being not inconsistant with the aforesaid provisions as may be prescribed by the company in general meeting but no regulation made by the Company in general meeting shall invalidate any prior act of the Directors which would have been valid if that regulation had not been made.[1]

The overall executive organisational structure is depicted in figure 4.

Subsidiaries of State Trading Corporation

For increasing State participation in the country's export

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1 Ibid., p. 57.

State Trading Corporation's Offices in India

The Head Office of the STC is in New Delhi at Chandralok, 36 Janpath.

Branch Offices

Adipur

Bombay

Kanpur

Tuticorin

Agra

Calcutta

Madras

Visakhapatnam

Ahmadabad

Cochin

New Delhi

Bangalore

Guntur

Jaipur

Overseas Offices

AMERICA

New York

WESTERN EUROPE

London

Frankfurt

Paris.

EASTERN EUROPE

Moscow

East Berlin

Budapest

AFRICA

Nairobi

Dar-as-Salaam

WEST ASIA

Kuwait

Baghdad

Jeddah

SOUTH EAST ASIA

Colombo

Decca

Singapore

Sydney

Tokyo

Hongkong

and import, the State Trading Corporation of India (STC) was registered in 1956 under the Indian Companies Act. It has the following subsidiaries:

1. Projects and Equipment Corporation (PEC)

Incorporated in 1971. This subsidiary of the STC handles turnkey projects abroad and the export of sophisticated engineering equipment and railway rolling stock and equipment.

Manned by engineers with wide experience in various technical disciplines and backed by a reliable supply base the PEC is fully equipped to render a diverse range of services in the wide spectrum of turnkey projects and engineering products.[1]

Product development and quality control are only a part of PEC's services which include marketing, negotiating, contracting, financing, execution of thrnkey projects, after-sales services, warehousing and shipment.

Countries benefiting from its expertise include Korea, Taiwan, Philippines, Malaysia, Thailand, Burma, Sri Lanka, Bangladesh, Nigeria, Zambia, Sudan, Iran, Hungry, Yogoslavia, Libya, Indonesia, Algeria and Vietnam. It is exporting railway equipment, engineering products and undertaking turnkey projects all over the world.

1 State Trading Corporation's Publication.

2. The State Chemicals and Pharmaceuticals Corporation of India Ltd. (CPC)

The Chemicals and Pharmacuticals Corporation (CPC) was formed as a subsidiary of the STC to pay special attention required in the import of over 1,000 items. Further it was felt that exports of chemical items could be increased by paying concentrated attention.

3. The Cashew Corporation of India Ltd. (CCI)

Set up in August 1970 in the wake of the Indian Government's decision to canalise imports of raw cashew for the benefit of export oriented cashew processing industry in the country, CCI has lived up to expectations.

In the past, despite difficult situations in the international market, the CCI has succeeded in maintaining a reasonable level of supply of raw nuts to many processing units in India.

Experts are striving to identify and develop new sources of supply for raw cashew and new export markets for cashew kernels.

The Cashew Corporation (CCI) was formed as a subsidiary to handle effectively the bulk import of raw cashew nuts to meet the specific needs of the export oriented industry and also keeping in view its turnover. It is handling the import of raw cashew nuts and the export of cashew kernels.

The Handicrafts and Handlooms Exports Corporation of India Ltd. (HHEC)

Formed in 1962, HHEC has played a major role in developing and promoting exports of handicrafts and handloom products from India. The Handicrafts and Handlooms Exports Corporation was attached to the STC which provides financial support required by it in its export operations.

Thanks to its pioneering work in developing new qualities/designs in fabrics and introducing Persian designs in hand-knotted carpets, the HHEC has been acknowledge as a pace-setter in these fields.

In collaboration with world renowned designers, the HHEC has given India an edge over others in the highly competitive fashion markets of the U.S.A., the EEC countries and Japan.

Its subsidiary, the Central Cottage Industries Corporation of India (CCIC) undertakes retail sales for promoting the crafts in India and thereby helps in improving the economic condition and social status of artisans, craftsman and weavers. It is exporting carpets, traditional Indian handicrafts and handloom products.

The Corporation has at present four subsidiaries, viz., The Handicrafts and Handlooms Exports Corporation of India Ltd. (HHEC), Project and Equipment Corporation of India Ltd.

(PEC), Cashew Corporation of India Ltd. (CCI), and Central Cottage Industries Corporation of India Ltd. (CCIC), a subsidiary of HHEC. Turnover of these subsidiaries is shown below:

		Rs.in crores	
		1983-84	1984-85
H.H.E.C.	...	129.66	129.91
P.E.C.	...	92.30	103.42
C.C.I.	...	4.29	4.23
C.C.I.C.	...	8.44	9.50*

* Provisional

Source: Annual Report of State Trading Corporation, p. 13.

HHEC's direct exports of carpets, handicrafts, handlooms and ready-to-wear have gone up by Rs. 3.63 crores (24.8%) in 1984-85 over that of 1983-84 while there was a shortfall under other items.

The Project Equipment Corporation has crossed a milestone by registering the highest ever turnover of Rs. 103.42 crores as against Rs. 92.30 crores during the last year representing an increase of 11.5 %. The turnover comprises export sales including overseas project sales of Rs. 102.26 crores and import sales of Rs. 0.86 crores. Exception of overseas turnkey project and mechanical, Electrical equipment and railway equipment exports are the main constituents of this achievement.

In spite of stiff competition in world markets, the

Corporation booked fresh orders worth Rs. 68.36 crores during the year as against Rs. 60.80 crores in the previous year indicating a growth of 12 %. Net profit of the P.E.C. during the year increased to Rs. 1.88 crores from Rs. 1.35 crores in the previous year.

The total turnover of Cashew Corporation of India Ltd. (CCI) for 1984-85 was Rs. 4.23 crores which is marginally lower than the turnover of Rs. 4.29 crores during the previous year. The shortfall was due to delay in receipt of L/C for effecting shipments during March 1985. The Corporation's main drive to sell cashews continued in Gulf, France, Japan, Australia, Hong Kong and Singapore markets which yielded good results. Salted/roasted cashews and mixed nuts in easy to open consumer packs valued at Rs. 0.07 crores were exported to Kuwait and Japan. The Corporation did not make any imports during the year.

The Corporation made a trading profit of Rs. 0.17 crores during the year against Rs. 0.09 crores during the previous year.

In pursuance of the decision of STC, the Corporation is evolving a suitable strategy for diversifying its activities into food business with emphasis on value added exports.

Table 3

STATE TRADING CORPORATION AND ITS SUBSIDIARIES

Sales Turnover of STC's Group

(Rs. in crores)

	1970-71	1975-76	1980-81	1984-85
S.T.C.				
Exports	70.5	760.1	440.5	719.5
Imports	141.9	217.0	1,214.0	2,118.9
Domestic	5.3	3.9	15.4	26.9
	217.8	981.0	1,669.9	2,865.3
SUBSIDIARIES				
P.E.C.				
Exports	N.A.	28.6	38.3	102.5
Imports	N.A.	11.0	0.2	0.8
Domestic	N.A.	N.A.	0.1	-
	-	39.6	38.6	103.0
C.C.I.				
Exports	N.A.	1.6	6.2	4.2
Imports	11.4	37.6	17.2	-
	11.4	39.2	23.4	4.2
H.H.E.C.				
Exports	2.9	32.6	26.5	129.2
Domestic	0.8	0.3	1.0	0.6
	3.7	32.9	27.5	129.8

(Contd.)

C.P.C.*				
Exports	N.A.	N.A.	9.5	-
Imports	N.A.	N.A.	110.7	-
	-	-	120.2	-
C.C.I.C.				
Exports	N.A.	N.A.	0.4	N.A.
Domestic	N.A.	N.A.	5.5	N.A.
	-	-	5.9	-
S.T.C. Group				
Exports	37.4	822.9	521.4	955.4
Imports	153.3	265.6	1,332.1	2,119.7
Domestic	6.1	4.2	22.0	27.5
	232.3	1,092.7	1,875.5	3,102.6

* = With effect from 1.4.1981 C.P.C. was merged with STC.

NA = Not available.

1. HHEC: Handicrafts and Handlooms Exports Corporation became the first subsidiary of STC from 1st June 1962. It formed a subsidiary of its own, Central Cottage Industries Corporation (CCIC) w.e.f. 1st April, 1976.
2. CCI: Cashew Corporation of India, registered on 18th August, 1970.
3. PEC: Project Equipment Corporation of India, set up on 21st April, 1971.
4. CPC: State Chemicals and Pharmaceuticals Corporation of India, registered on 1st January 1976 and started functioning w.e.f. 1st April 1976 and merged with STC with effect from 1st April, 1981.

Compiled by the author from the following:

1. Annual Reports of STC - Several Issues.
2. Handbook of Statistics of STC, 1979-80 to 1983-84.

Conclusion

The above analysis shows that the State Trading Corporation of India has been changed from a Joint Stock Company to a Public Corporation.

The success of the State Trading Corporation depends considerably on the quality of the Board which is responsible for its direction and governance. To avoid overlapping of responsibility and to maintain integrity of political life, legislators should be excluded from the membership of the Board. All members of the Board should be persons of high calibre and business ability. The Chairman of the Board should not only be of high calibre but should also have a towering personality to exercise the influence of his presence in the board as well as to resist the informal ministerial pressures on his independent actions performed in accordance with the policy of the Board.

The Corporation has achieved tremendous success in reaching its goal of diversifying India's trade with East European countries. With the help of its subsidiaries, the Corporation exports several commodities to their destinations.

The Corporation exports several new commodities to different countries. It has made it possible to import various essential items and capital equipment without putting a drain on the country's scarce foreign exchange resources

It has brought a new trend in India's export performance by promoting the export of commodities handled by it. It also provides requisite facilities to the private entrepreneures and exporters to explore potential markets in different regions. As a result, India's foreign trade with these regions has been increasing substantially. The Corporation has also been providing significant help to the different export promotion agencies established in the country.

In this connection the next chapter deals with the role of STC in the Export promotion of India.

Chapter III

ROLE OF STATE TRADING CORPORATION

The State Trading Corporation of India (STC) was registered in May 1956 under the Indian Companies Act. It has to comply with all the obligations and requirements of the Companies Act like any other limited company because it is not a statutory corporation. The main objective of the Corporation is to broaden and enlarge the scope of India's exports and to arrange for essential imports. Its activities are directed towards diversification of exports, expanding existing markets, development and promotion of export of commodities on a long-term basis and handling canalised imports. It also undertakes price support and buffer stocks operations in certain commodities on the Central Government's direction. The Corporation works in close association with the trade and industry. The STC group includes STC, the Cashew Corporation of India (CCI), Handicrafts and Handloom Export Corporation (HHEC), Project and Equipment Corporation (PEC) and Chemicals and Pharmaceutical Corporation of India (CPC).

This organisation serves as:

1. The leading export house of India with branches all over the world.
2. An explorer of trading potential and identifier of opportunities.
3. A catalyst and pace-setter for Indian exporters.
4. A handmaid of the Government and the industry in arranging exports.

The STC has been playing a pivotal role in the diversification of India's export trade by increasing exports to the existing markets and exploring new ones, maintaining exports of the traditional items, development and promotion of exports of selected commodities on a long term basis, canalisation of imports of certain bulk commodities, supplementing private trade in sphere where it finds difficult to function effectively, processing and manufacturing certain indigenous materials into finished products so as to raise their unit value for export, and undertaking price support and buffer stock operation in certain commodities which have a hearing on exports. It has also played a dominant role in effecting imports of essential goods and raw materials vitally necessary for the economy of the country.

Among the public sector agencies created by the Government of India for increasing state participation in India's foreign trade, the STC has been playing the most important and effective role in the achievement of the Government objectives. Apart from the rapid strides made in the enlargement of its turnover year after year the Corporation is getting itself more and more involved in the various fields of imports as well as exports of the country. The Corporation's performance in the last few years had created considerable interest in the public sector. Ever since its inception, the STC's main objective has been to trade mainly with the USSR and the East European countries and to ensure fulfilment of the Government's socio-economic objectives. It has now grown into India's premier trading house, both in size and porfile-action and activities.

With a view to implementing the Government objectives STC has played a dynamic and extensive role in the growth and development of India's foreign trade infrastructure. The Corporation has been restructing itself from time to time to meet the challenges it needs to face. The new system of accountability introduced and management and techniques employed has paid rich dividents inasmuch as the total turnover more than doubled within twelve years from Rs. 167 crore in 1968-69 to Rs. 346 crores in 1979-80.

In 1958-59 the total turnover of the STC was Rs. 35.95 crore which increased to Rs. 42.82 crores in 1959-60. In 1960-61 the turnover increased to 64.69 crores. Again it increased to Rs. 77.39 crore in 1961-62. In 1962-63 it increased

Table 1

30 years at a Glance

Total Turnover Between 1956-57 to 1984-85

(Rs. in crores)

Years	Total turnover	Years	Total Turnover
1956-57	9.19	1970-71	217.84
1957-58	28.58	1971-72	262.60
1958-59	35.95	1972-73	346.50
1959-60	42.82	1973-74	489.56
1960-61	64.64	1974-75	794.30
1961-62	77.39	1975-76	980.99
1962-63	86.81	1976-77	975.45
1963-64	55.98	1977-78	1069.57
1964-65	46.46	1978-79	1138.54
1965-66	61.55	1979-80	1529.07
1966-67	101.48	1980-81	1669.88
1967-68	141.23	1981-82	1866.81
1968-69	167.18	1982-83	1832.14
1969-70	210.72	1983-84	2215.03
		1984-85	2865.53

Source: Different issues of Annual Reports of the State Trading Corporation.

to Rs. 86.81 crore. In 1963-64 the turnover went up to Rs. 55.99 crore. This shows an increase to Rs. 210 crore in 1969-70.

The table also shows an increase in turnover from Rs. 200 crore in 1974-75 to Rs. 2,866 in 1984-85. From the table it is clear that the total turnover has increased every year which indicates the progress of STC in the promotion of exports and imports.

In the course of 30 years the Corporation's turnover increased from Rs. 9 crore in 1956-57 to Rs. 2,866 crores in 1984-85. Such phenomenal growth could only be achieved with the active support of the Government as well as the utilisation of its own resources. It trades in heterogeneous fields and covers more than 90 countries of the world. It has 21 offices abroad and in addition several branches within the country located in port towns and important business centres.

The Corpotation, besides trading in a variety of commodities, also has four subsidiaries to handle homogenous groups of commodities. It is presently dealing in the export of bulk commodities like sugar, cement, salt, rice and castor oil. It also deals in other primary commodities, such as tobacco, rubber, coffee, processed commodities such as processed food, chilled meat, finished leather, shellack and a host of industrial manufactures.

The country has planned to export larger quantities of bulk commodities and also maximise the export of high unit value as well as greater value-added products. The Corporation's efforts are directed to achieving the national objectives. The STC has achieved reasonable success in the export of items like sugar, castar oil, cement, shillac and has introduced several non-canalised items supplementing the efforts of private exporters. In the field of imports, the Corporation has serviced the industry with necessary raw materials to maximise the capacity utilisation of the industries and to maintain the price level of essential items. In the case of sensitive items like drugs and edible oils, stocks are maintained to make off-the-shelf deliveries. It has been undertaking price support operations whenever called upon by the Government, for rubber, tobacco and raw jute.

The STC's activities can mainly be divided on the following basis:

<u>Imports</u>
Canalised
Non-canalised and ad hoc imports and those under IRMAC
Other stock and sale imports.

<u>Exports</u>
Canalised
Non-canalised

<u>Domestic trade</u>
Price support and buffer stock operations
Sale of imported cars

The STC may undertake any activity which is necessary or incidental to the fulfilment of its overall trading responsibilities. For instance it may hire warehouses for storage or arrange transportation of goods, or finance processing or otherwise assist exporters in the discharge of their functions.

Imports

(1) Canalisation of import of major items as a policy of the Government instituted mainly with a view to obtaining benefits of economies of scale in purchase, equitable and timely distribution of raw materials and avoidance of malpractices in distribution. The important function of the State Trading Corporation in gregard to imports are:

i) To undertake import of commodities at competitive and cheaper prices where bulk procurement and bulk shipping are possible.

ii) To undertake import of commodities in short supply and essential to the country's economy.

iii) To undertake imports from state trading countries or where monopolies are involved.

iv) To handle imports of certain commodities trading in which is highly speculative, yielding high margin of profit which can best be handled by a public undertaking and to utilise the profits thus earned for the promotion of exports of difficult-to-sell items.

v) To undertake the distribution of imported commodities in an organised manner to satisfy needs at fair prices.

vi) To ensure implementation of trade plans with the State trading countries and other special agreements entrusted to the Corporation.

As an instrument for the implementation of Government's trading policies, the Corporation has been arranging imports of capital goods, and industrial raw materials at international price from diverse sources of supply and also of certain scarce commodities required for the country's economic and industrial development. With its capacity for bulk buying and handling, the Corporation is in a position of considerable bargaining strength so as to arrange supplies at most competitive prices.[1] This helps also in keeping down the international prices of imported essential commodities. Fertilizers, alkalies, mercury, sulphur, newsprint, tractors, printing and textile machinery, copra, palm oil, soya bean and many other items have been imported in this manner in large quantities with substantial price advantages to the country.

The STC renders assistance to private traders for the development of their industries in the fields of chemicals, drugs, vanaspati, synthetic and woolen textiles and the news-paper, tools, tractors, construction and road building machinery, printing mathinery, bearings, spare parts, electronic and electrical measuring instruments, spares, drilling equip-ment, photographic goods including X-ray, films, chemicals

1 Manual of Trading Operations, State Trading Corporation of India, p. a.

and pharmaceuticals.

The import trade of the Corporation can be classified into three broad categories:

1. Items whose imports are wholly canalised through this Corporation.
2. Items whose imports are arranged by established importers and actual users.
3. Indirect imports where imports are effected by Indian agents of foreign suppliers.

A major objective of canalisation has been to ensure regular supply at the best possible prices. Canalisation of imports of edible oils helps in bridging the large supply gap and in holding the price line. Compared with 80,000 MT in 1984-85, STC delivered about 2.7 lakh M.M. in 1985-86 to the vanaspati industry. Substantial savings in foreign exchange were achieved by successful purchase of a major portion at prices $ 200 PMT lower than the current level. In addition to expanding the MT storage capacity by 50 % from 90,000 MT to 1,30,000 MT, new distribution points near the consuming centres were also opened.

The STC could obtain the material at much lower prices than what was quoted in the American market whereas India has been paying a premium of 40 PMT over the New York delivered prices for newsprint, due to bulk buying.The Corporation was able to get, for the first time, supplies at $ 12 less than the

New York delivered prices. Favourable payment terms were also obtained with interest free credit facility. A total profit of around Rs. 9 crores spread over the next 4 years has been recently made.

As the canalising agency, STC ensured supply of raw material to actual users equitably. This is particularly important in regard to the raw materials required of the small sector which gets imported raw materials at the same price as the large scale sector and this has been a distinct advantage of canalisation. Also the STC has been able to maintain buffer stocks of newsprint, edible oils etc. to meet the ready requirements of the related industries.

Elimination of speculative marked tendency is an important objective of canalisation. In the past, large units could obtain bulk quantities of imported raw materials and re-selled them to the actual users at higher prices. The STC's handling of canalised imports has helped in bridging the gaps between the demand and the supply of industrial inputs and avoiding shortages through regular bulk buying.

As a result of canalisation, the STC has been able to diversify the supply sources for several raw materials. New sources of supply have been identified for commodities like newsprint, chemicals, etc.

Advantages occurring to the country as a result of the policy of canalisation of imports are:

1. Timely and regular availability of the raw materials in the country.
2. Economies in bulk buying.
3. Stabilisation of internal prices.

Imported Cars : Purchase Procedure

Another domestic trade of STC is the purchase of imported cars. The STC buys cars from the following categories in accordance with the procedure laid down by the Ministry of External Affairs/Chief Controller of Imports and Exports:

(a) Diplomats and other privileged persons.

(b) Official cars of diplomatic missions.

(c) Privileged institutions like Ford Foundation and U.N. and its allied agencies.

(d) Exports coming under various programmes sponsored by the Government of India.

(e) Foreign nationals, foreign firms and Indian nationals.

The Ministry of External Affairs, the sponsoring Ministry, has laid down a purchase procedure in respect of categories (a), (b), (c) and (d). This procedure provides that the STC will buy a car at the C.i.f. value as evidenced by customs' signed bill for entry supported by manufacturers invoice, freight and insurance certificate without any depreciation.[1] The procedure also requires that the cars will be made available to the STC for purchase in normal running condition. Since it is not always possible in actual practice for the diplomats to bring their cars in normal running conditions, a reduction is made for such deficiencies from the price payable for the car on a mutually agreed basis after the inspection of the car.

In respect of category (e) the price is determined on the basis of c.i.f. value plus customs duty and is reduced by 20 per cent per annum on the diminished value.

The CCI & E has recently amended the above rules as applicable to Government servants. A Government servant who is compelled to sell his car before completion of no-sale period for reasons beyond his control or is transferred abroad as certified by the administrative ministry to be in public interest, is allowed to sell his car to the STC at a concessional depreciated formula of 5 per cent per annm for the initial period of 2 years and 5 per cent for each half year thereafter on the landed cost of the car as against the present depreciated formula of 20 per cent per annum.[2]

Sales Procedure

The Government has authorised the following to place their

1 Manual of Trading Operations of STC, State Trading Corporation, New Delhi, p. 39.

2 Ibid., p. 40.

indents directly on the State Trading Corporation:

a) Tourism promotion agencies
b) Rashtrapati Bhavan
c) Vice-President of India
d) Raj Bhawans in the various states
e) Ministers of Cabinet rank of the Central Government
f) Chief Ministers of the State Governments.

Cars are sold to the above categories at STC's cost price plus a margin of $12^{1}/2$ %, i.e., 10 % service charges and $2^{1}/2$ % garage charges.

Cars sold to the Rashtrapati Bhawan, the Vice-President of India and the Raj Bhawans are exempt from payment of customs duty irrespective of whether it attracts duty or not.

State Government and Central or State public undertakings are entitled to place their indents directly on the STC but cars are released to them only at market prices which are based on the prevailing auction prices.

Eligible export houses are also entitled to purchase cars once in two years at market prices.

Persons who intend to purchase a car against payment in foreign exchange are entitled to buy it at the market price less 15 per cent.

Cars to all other are sold under a public tender system. Auctions are hold regularly in Bombay, Calcutta, Madras and New Delhi for disposal of such cars. The Government has recently entrusted the STC with the sale of imported cars of the ministries and public undertakings on their behalf at a service charge of $12^1/2$ on sale value.

Custom Duty

The Corporation is liable to pay customs duty to the customs authorities on the sale of imported cars which are acquired by it within three years from the date of import. The duty becomes payable as soon as the car is sold.

Canalisation

The Government has adopted two devices for canalising imports through the Corporation. One device is the formal one wherein the item is first brought under part (c) of Section 2(ii) of the Import Trade Control Policy (Red Book) for the given period, and then by a separate public notice Government orders are issued saying that the State Trading Corporation will be the agency for the import of that item. The second device is that the item is mentioned in part 'D' of section 2 of the Import Trade Control Policy and is thus declared non-licensable for both actual users and importers. By separate orders allocations are made in favour of the State Trading Corporation of India for making import arrangements. These imports appear to fall under two categories. Inthe first category are items which are easily available from the rupee payment countries and, therefore, the Corporation can naturally and effectively act as the canalising agency for purchases from such sources. The other category consists of items of imports from the free foreign exchange areas, in respect of which, owing to certain vital consideration like the advantage of bulk buying and shipping, etc. the government considers the Corporation useful as the importing agency.

Similarly items of export can be divided into two categories. Some items have been formally canalised for export by including them in part 'B' schedule of the export Trade Control Order, 1962, and through a public notification such items have been selected for being formally canalised through the Corporation. The second category consists of export items which, though not formally canalised, have in effect to be routed through the Corporation by various administrative orders.

The Government policy of canalisation is a desirable one and may be defined as the right of giving monopoly power to State agencies for the export of a particular commodity at reasonable rates without an undue margin of profits.

The purpose of canalisation of exports as, it is understood, is to provide technical know-how, samples, latest trends in foreign markets, total requirements, secrets of their competitiveness, latest machinery and methods which the exporting countries are using etc. By giving such services, they have a legitimate right to collect service charges. It is like a privy purse given to them by the government by adopting the policy of canalisation.

At present 28 items are being canalised for exports -- 13 items are canalised through the State Trading Corporation of India while Government's decision to go slow with canalisation of exports is to be welcomed,it is necessary to ensure that the export performance of items already canalised improves steadily and substantially. There are many canalised items whose exports have suffered because of inadequate availability of supplies, increasing competition from other countries, lack of transport facilities or other causes. Whatever may be the reasons for the lack of steady progress, the canalising agencies should see to it that only the falling trends in exports are checked, but they are also able to add sizeably to the earning of foreign exchange of the public sector. The STC has come to assume a dominant role in the canalisation of exports and should gain the confidence of the users in the country by offering goods and equipment at reasonable rates without any undue margin of profits. It should also strive to keep up and enhance the confidence of the importing countries in it by adhering to the time schedules for deliveries guaranteeing quality and charging competitive price, The over-all performance of the STC can be seen from the following table which gives the amount of canalised and non-canalised export yearwise:

(in millions of Rupees)

	1968-69	1969-70	1970-71	1971-72	1972-73
Export sales (Total)	4,845	5,515	1,058	7,861	17,015
Canalised	2,115	2,706	3,417	3,604	12,656
Percentage	43.70	49.10	48.40	45.80	74.30
Non-canalised	2,730	2,809	3,641	4,257	4,359
Percentage	56.30	50.90	51.60	54.20	25.70

Non-canalised and ad hoc imports

From time to time to meet temporary shortages or for some other reasons the STC is asked to import by the Government non-canalised items which are otherwise banned for imports, on an ad hoc basis. The procedures for effecting purchases, sales receiving payments etc, are the same as for the canalised imports except that the system of allocation is different. For these items, the allocation is made either by or in accordance with the instructions of the competent authority, which often is the ministry of the Government of India at whose behest such imports are allowed. Release orders are not normally required to be issued by the CCI& E for such items.

Canalised items

To determine its growth within the parameters of Government's economic policy, the STC plans to adopt a selective approach.

In the field of canalised items there are a number of areas in which the Corporation has to further improve its operations. They include:

Improve item responsiveness to its clients by promotiers and pay more effective attention to its customers.

Plan its operations in canalised product, groups in specified new markets.

Build buffer stocks of selected items like sugar and castor oil and open warehouses abroad for such items where exports have to be organised on a continuing basis.

Continue efforts for taking maximum freight advantages by booking of cargoes.

The area of canalised items will be in the following commodities:

- Sugar
- Cement
- Castor oil
- Rice
- Rubber
- Salt
- Footwear

Non-canalised items

The major thrust of STC's export operating will be in the non-canalised field. The selective approach will be applied to areas where export potential is large, production base is capable of expansion and product development measures can yield substantially better results over a given period. For example, the areas that offer opportunities for such growth are:

1. Leather and leather products:

   Finished leather
   Shoe uppers
   Garments
   Travel goods

2. Agro-based and allied products and manufactures:

   Fruit slices and juices or fresh fruits in bulk or canned.

   Meat-chilled, packed in bulk or canned
   Linseed oil
   Coffee
   Tobacco

3. Timber and its manufactures

   plywood
   Flush door
   Wooden furniture
   Sports goods
   Leisure time equipment

4. Construction and building materials

   builders'hardware and fancy fittings
   Sanitaryware, tiles, and other ceramics or brickware items.

5. Textiles:

   Readymade garments

Table 2

STC EXPORTS AND IMPORTS

(Canalised & Non-canalised)

(?Rs. Crores)

		Canalised		Non-Canalised	
		Total volume	%	Total Volume	%
EXPORTS (FOB)					
1971-72	74*	37	50	37	50
1972-73	158	117	74	41	26
1973-74	260	229	88	31	12
1974-75	549	515	94	34	6
1975-76	744	681	92	63	8
IMPORTS (CIF)					
1971-72	125*	93	73	34	27
1972-73	126	94	15	32	25
1973-74	159	121	76	38	24
1974-75	215	198	92	17	8
1975-76	158	115	12	44	28

* Excluding engineering items transferred to PEC.

Source: Handbook of Statistics of 1971-72 to 1975-76, p. 21

(Contd.)

Table 2 (Contd.)

STC EXPORTS AND IMPORTS

(Canalised & Non-Canalised)

		Canalised		Non-canalised	
		Value	%	Value	%
EXPORTS (FOB)					
1979-80	621	416	67	205	33
1980-81	431	209	48	222	32
1981-82	542	227	42	315	58
1982-83	619	258	42	361	58
1983-84	774	355	46	419	54
1984-85	879	460	49	471	57
IMPORTS	(CIF)				
1979-80	260	899	94	61	6
1980-81	942	893	95	49	5
1981-82	999	989	99	10	1
1982-83	677	631	93	45	7
1983-84	1067	1042	98	25	2
1984-85	1087	1062	99	35	8

Necessity of Export

Though India is an agricultural country, it cannot provide food for its people because of its very heavy concentration of population. In order to feed the population and to meet the different requirements it is essential that India should buy large amount of food-stuffs and raw materials each year from other countries. To earn the currancies of those countries in order to pay for the country's imports, it must export goods to them in return. A country, like an individual, can not continue for long to live beyond its income. It cannot import goods from abroad without matching them with exports, except in the short term. It must later be in the clear by exporting more than it imports. When a country imports more than it exports, it creates for itself balance of payments difficulties. There have to be limit of imports to prevent the drain on the country's resources resulting from the adverse balance of trade.

Another and better remedy of course would be to increase exports and this is why exportation are being constantly bearing to increase exports in order to keep pace with the growing imports an affluent society is demanding. There is no doubt at all about the necessity for the country to put in every effort in this direction. Exports are also increased by maintaining and improving the country's competative position in world markets inn which India faces intensive competition from other nations.

Many well-organised industries and firms in this country are doing an excellent job in exporting their goods and earning foreign exchange. Banks, commodity market, shipping firms and insurance concerns also sell ther services abroad and contribute to the country's foreign exchange earnings. But in the light of present developments many small and medium sized firms must give more thought to exports. The challenge of the European Common Market means that India must reconsider what its export position will be in five, ten or twenty years from now rather than rest content with the present sales and markets.

Selling goods abroad has the characteristics and problems of home trade plus a number of additional hazards. For example, quota restrictions, tarriffs and customs regulations vary from country to country and must be known in order to avoid rejection of the goods and frustrated sales.

Exports must be planned under a consistent policy in which the needs of the overseas customer are taken into consideration and met and other countries must not be regarded simply as dumping grounds for surplus goods when the home market is temporarily depressed. Search for new markets should be preceeded by careful research into the prospects for the goods in those markets.

There may be a further hazard in some areas in the form of political risk. Contracts may be frustrated because Indian Government may suddenly stop all trading with a country. For example, India has to trade through state importing agencies of socialist countries which will virtually dictate the terms on which the business eill or will not be done and what. India must take in exchange for its exports.

Role of State Trading Corporation in Export Promotion

Foreign trade organizations[1] and institutes play an important role in creating export consciousness in the country. There was an acute shortate of training courses and training institutions in the field of foreign trade in India. Without proper knowledge and guidance, it will be extremely difficult to understand the intricacies of India's export and import trade. Export and import organisations provide various services to the exporters and importers. These services include information and guidance, assistance for participating in and organizing international trade fairs, and exhibitions, promotion of joint ventures with other countries, conducting market surveys, preparation of special reports,

1 The following discussion leans heavily on a note on the"Export Organizations of India", provided by Indian International Trade Centre, Bombay.

publication of foreign trade directories, and handling of export and import trade. To overcome such difficulties to provide expertise to Indian manufacturers and to help them in stepping up their exports, various foreign trade organizations and institutes have developed in India. Important organisations among them are State Trading Corporation, Export Promotion Council, Minerals and Metals Trading Corporation, Indian Institute of Foreign Trade, Indian International Trade Centre, Board of Trade, Export Import Council, Directorate of Export Promotion, Export Development Authority, Export Promotion Advisory Committees, State Export Promotion Boards, Commodity Boards, Handicrafts and Handloom Export Corporation, Export Houses, Export Credit and Guarantee Corporation, Export Inspection Council, Indian Council of Arbiteration etc. In view of the fact that export promotion has become the crying need of the hour,'export or perish' being the most apropriate slogan. But this can only be achieved, if there is proper coordination between these organisations.

It is an established fact that international trade particularly exports, are crucial for the country's progress and essential activity for any country striving to develop a self reliant economy. In the Second Five Year Plan priority was accorded to exports due to acute foreign exchange difficulties the country faced. At that time state trading was a new concept and therefore there were mis-givings about its need and feasibility of establishing a Government owned Corporation to undertake trading operations. The basic task facing the developing nations, including India, is to make their economies export oriented as far as possible. This requires not only augmentation of exports but also ensuring import substitution and effective control over bulk exports and imports. Most of the developing countries have designed short-term policies as well as long term management of trade. One of the important steps is the creation of an institution either within the ministry or outside to own, control and manage foreign trade. The STC is one of the bodies set up by the Government of India as an autonomous organisation for the purpose.

The State Trading Corporation was established with the sole objective of enlarging the scope of India's exports and to arrange for essential imports. Its activities are directed towards the diversification of exports, expension of existing markets and development of new markets for traditional and non-traditional products. The Corporationn works in close cooperation within the Government, the trade and the industry.

The STC occupies special position in export promotion. One of the major objectives of the State Trading Corporation of India is the promotion of country's exports. In evaluating visiting foreign delegations in India, and (vii) participation in global tenders for rolling stock, equipment and turn-key projects.[1]

The STC's main objective is export promotion. Unlike some other bodies which seek to achieve this objective by undertaking non-commercial responsibilities such as exchanging delegations, advertising in India and abroad, circulating information to member suppliers and the STC aims to do all this by actual marketing of Indian products.

For this purpose, the Corporation acts as a trading body, enters into commercial contracts, accepts all the responsibilities of a seller of goods and draws heavily on modern management and marketing techniques.

The STC has a net work of 21 foreign offices which are engaged in the task of export promotion and are connected with telexes and telephones (for details see Appendix

The foreign offices of the Corporation assist exporters from India in stimulating demand for Indian goods in foreign countries. This is done by maintenance of bonded warehouses-cum-depots where stocks of merchandise of various exporters are stored and business concluded on the spot or on consignment basis. Further, samples along with the realistic export prices and delivery schedules are kept in readiness to

1 Manual of Trading Operation, STC, New Delhi, p. 29.

the performance of the corporation towards the achievement of this objective, one very important thing has to be kept in mind, that is, that the Corporation is not free to export any commodity it likes. It is the instrument for the implementation of Government policy in the field of international trade and, therefore, in the sphere of its operations it is regulated and guided by the Government. The Corporation has been enstrusted, by and large, with trade in such commodities as are difficult to sell or have peculiar problems of their own and those in which trade is well-established and no special problems or difficulties have been left in the hands of those who are already established as traders in these items.

The Corporation has taken a number of steps to expand its exports, viz., (i) organising manufacturers in India and giving them assistance including finance for increasing exports, (ii) developing new items with export potential and assisting producing agencies to train personnel in specialised handling, packing and transportation of goods for export, (iii) providing export assistance to small manufacturers under the EASI scheme (Export Aid to Small Industries), (iv) promoting exports through the mechanism of link and barter and allied deals, (v) participation in international trade fairs and wholly Indian exhibitions in foreign countries, (vi) establishing offices abroad, (vii) negotiating salés with negotiate on the spot contracts and business with the prospective buyers. On the basis of these samples, importers are contacted and induced to deal in or expand their existing purchases of Indian goods by offering facilities of ex-stock deliveries from the depots.[1] The offices undertake, where necessary, in cooperation with other organisations, market surveys, market studies, etc., in respect of specific commodities. The foreign offices also participate, if required, in trade exhibitions, displays, etc., and maintain liason between the Indian parties and foreign suppliers and try to eliminate unhealthy competition.

Broadly, exports consist of locating a demand abroad and organising supplies to meet it and at some profit. It can start from either of the two ends. A customer may be looking for something which the STC can offer from India or the STC may have a product for which it is looking for a customer. One step further, the STC may develop a product for which it may anticipate a demand, or there may be a demand for which STC may develop a product.

Steps Involving Export Sales

Among other things, the following specific steps are involved in export sales:

1 Gupta, R.K., Working of State Trading Corporation, Chand and Company, 1971, p. 144.

- Preliminary spade-work
- Making an offer
- Negotiating the terms
- Concluding the deal and entering into contract
- Procurement
- Quality inspection
- Transportation
- Storage, warehousing
- Freight
- Insurance
- Custome clearance
- Reserve Bank formalities
- Receiving payments
- Disbursing payments[1]

Preliminary Spade-work

Before an offer is made, the STC must ascertain through contacts abroad probable areas of mutual interest. This can be done either by writing to the commercial secretaries in the Indian ambassies, STC's branch offices, chambers of commerce abroad or by finding names and addresses of prominent import houses and dealers through trade and commodity journals and directories. In a few cases, to attract inquiries a product may be advertised in foreign papers.

Letters are addressed to parties informing them in general terms of the product which are on sale together with such printed or other literature which they may like to send.

Making an offer

Upon receipt of reply, detailed specifications and a quotation, keeping sufficient margin for negotiation and for

1 Manual of Trading Operations, op. cit., p. 30.

any upwards increase in local procurement prices is given. At this stage the customer should be advised about all other conditions which will govern the firm offer which is likely to be subsequently made.

Samples are sent in case the product in question allows for the same and the customer asks for them. When business is done on the basis of samples, the Corporation is required to collect four samples which are to be sealed and signed by the suppliers and the STC. Three samples are to be sent to the customers who are required to keep one for his reference and return the other two in token of his approval. Out of the two, one is retained by the STC and the other is handed over to the inspecting agency to enable it to compare the bulk shipment which the approved sample at the time of pre-shipping inspection.

Negotiating the Terms

The customer will probably bargain on prices so long as the transaction is at a profit, the STC can be flexible in its attitude. Some commodities allow for larger margins, others for less. For non-traditional items of export, it may agree even to work on nominal margins.

No transactions will be accepted if it involves a foreseeable element of loss. Only in exceptional cases, to support Indian exports, STC's management may decide that they maybe undertaken even at a loss. The government may also direct the STC to undertake trading operations at a financial loss.

Concluding the Deal

Once the customer gives his written acceptance by talex, cable, etc., accepting the offer unconditionally and within the time specified by the office, the deal is treated to have been closed and becomes binding on both parties. Then there is no going back. Preparation of documents, signatures of respective parties to the contract thereafter are mere formalities which must, however, be executed expeditiously.[1]

Before starting negotiations, there must be a proper tie-up with suppliers of high reputation who agree to work as STC's business associates. For each commodity, business associates should be selected and confidential status report should be obtained from their bankers.

Quality Inspection/Statutory Inspection

For some commodities staturory pre-shipment inspection is enjoined upon the STC and the government has set up special agencies for this purpose. This does not debar the customer from insisting on an independent inspection of the goods for quality.

1 Ibid., p. 33.

There are quite a few independent well-known organizations which specialise in inspection and are acknowledged to be impartial and neutral between the buyers and the sellers. They possess the technical skills necessary for giving appropriate quality and weight certificates.

It is negotiable as to who should bear the charges of inspection. The normal practice is that the charges are borne by the seller.

Transportation

Inland transportation is organised by the suppliers. In the event of export of bulk liquid cargo, the same is brought in the tankers at the port and pumped directly wherever possible into the tankers upon arrival of the ship. Packed liquid cargo has often to be sent in drums, the specification of which must be carefully checked and in case of edible items it has to be ensured that the contents will be protected from any kind of contamination.

Warehousing

Since all goods must reach the port towns well before the arrival of the steamer, warehousing has to be arranged there either by the STC or by the shippers.

Booking Freight

Where things are sold on c.i.f. basis, arragement has to be made for ocean freight. Firm or provisional booking (as the case may be, depending upon the stage of negotiations) must be made with the agents of steamer companies as much in advance of the date of shipment as possible. Options must be held during negotiations.[1]

Insurance

Where the customers take out an insurance, they should be notified by a telegram of the date and time of loading and the quantity and value of the cargo to enable them to cover the risks. But in such cases L/C should provide for full payment to be realised on sight.

In the case of c.i.f. sales, all risks have to be covered which the buyer may want and suitable provision has to be made in the pricing of goods for covering the premium which will have to be paid on the policy. The policy is made out in the name of the Corporation and sent to the customer duly endorsed along with the documents.

Customs Formalities

For purposes of getting customs clearance for export cargo the following documents have to be presented to the customs authorities:

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1 Ibid.

1. Declaration regarding truth of the statements made in the shipping bill.
2. A copy of the invoice usually pasted at the back of the duplicate copy of the shipping bill.
3. G.I.R. Form.
4. Export Licence (where required).
5. Inspection Certificate.
6. Original contracts, if available, or copies of correspondence.
7. Letter of credit (where prescribed).
8. Contract Registration Certificate.
9. Packing list
10. AR-4 Form, AR-5 Form (in duplicate or triplicate).
11. Any other relevant document.[1]

Note: Registration of contracts is necessary in respect of certain items with the authorities concerned for the purposes of payment of incentives or for export price control, etc. The procedure in vogue from time to time is followed in such cases.

In case of items subject to export licence or quota restrictions, necessary authorisations from CCI & E have to be produced.

In the case of dutiable exports, the classification numbers of the items and the rates of duty have to be shown on the documents and duties paid to the accounts department of the customs.

1 Ibid.

Reserve Bank Formalities

While presenting the shipping bills to the customs, Form duty filled in triplicate has to be submitted. The original of this form is retained by the customs and its copies are returned. The GR-I form is sent to the RBI by the bankers and the triplicates retained by them until payment is received for the value of the goods and is later forwarded to the RBI.

Payment under Reservation Unacceptable

However, it must be ensured that the documents are negotiated clean, without conditions and without reservations of any kind. All dealing officers in finance and commodity divisions must know that receiving payment under reserve is as good as not receiving payment at all and may tantamount to dereliction of duty.

Disbursing Payments

Where L/Cs have not been assigned to local suppliers, payments are to be released to them immediately and not later than one weak from the date on which the STC has negotiated the documents in accordance with the price and other terms that may be agreed upon with them.

Participation in Exhibition

With a view to giving publicity to Indian exports, the Corporation participates in international fairs and exhibitions. Business is also negotiated on the spot wherever possible. In the past, the Corporation arranged for India's participation in several international fairs, e.g., in Izmir (Turkey), Leipzig (East Germany), Zagrab (Yugoslavia), Plodivo (Bulgaria), Poznon (Poland), Brnio (Czechoslovakia) etc. Participation in international fairs has enabled the Corporation to step up the exports of traditional items and also to introduce new items such as bicycles, sewing machines, electric fans, tinned fruits and juices, etc.

Assistance to Manufacturers

The Corporation renders useful assistance to manufacturers for promoting their exports. It helps its associates enter into new market and expand their sales in the existing markets for export of various items. For instance, the Corporation provides guidance for production of various footwear items in accordance with the exiacting requirements of the foreign buyers. It operates a scheme of supplying in part the raw materials to the footwears manufacturers so that they get good quality material at reasonable prices. It develops improved varieties of accessories used in the manufactured of footwear like shoe grindery, shoe shanks, laces etc. Where there is wide gap between the procurement price paid to the Indian manufacturers and the FOB realisation, the Corporation tries to bridge the gap out of the Market Development Fund.

With a view to exploring new markets for Indian goods, the Corporation colloborates with private parties in opening foreign offices as in the case of M/s Capexil (Agencies) Ltd., Calcutta, who have opened their foreign offices in Australia with the financial assistance from the Corporation.[1]

In case of non-traditional items like tyres, machine tools, steel tubes, refrigerators, etc., the Corporation provides pre-shipment finance to assist and attract the manufacturers for exporting their products. Exporters are supplied raw materials like raw wool, nylon yarn, etc., at international prices either as advance against export orders or as replenishment against export entitlements obtained by them under the export promotion scheme.

The Corporation provides short term loans to manufacturers, exporters and their associates to meet their immediate requirements for the manufacture of export goods against valid export orders, Cash assistance is given to bridge the gap between the export prices and the local manufacturing cost of a particular commodity in accordance with the approved policies of the Government. For example, there is a cash assistance scheme for the export of fabrics.

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1 Gupta, R.K., Working of State Trading in India, op. cit. , p.146.

The Corporation sponsors sales teams to foreign countries to finalise business on the spot. For example nylon and art silk fabrics team are sent to the United States, Canada and Europe.

The Corporation assists exporters of heavy engineering goods in several ways. It obtains advance information regarding foreign enquiries, tender documents and drawings. It supplies foreign specifications and technical data to the Indian manufacturers. It maintains liaison with Ministeries of Steel, Finance, Railways and Transport to expedite the related matter and also obtains help from the Research Design and Standards Organisation of the Ministry of Railways in matters concerning the design of the rolling stock. It makes assembly arrangement of wagons in foreign countries where needed.

The foreign offices of the Corporation render service to private traders in several ways -- contacting the prospective buyers, concluding the contracts, following up the orders and finally receiving payments for their exports. They disseminate marketing information to Indian exporters. Samples of private parties which have a market abroad are kept in the foreign offices and displayed before prospective buyers. The Corporation's foreign offices maintain contacts with the buying organisations in the countries of their accredition and ascertain their interest in various items. They feed the exporters with designs prevalent in the markets of the buyers, prices and other market intelligence. The visiting Indian businessmen are taken round the markets, assisted in meeting the local traders and in selling their products.

The foreign offices of the Corporation have been reorganised to serve not only as bases for the Corporation's own trading but also as service bases to the public and private sector firms. They are expected to serve as useful adjuncts to the commercial section of the Indian embassies who cannot trade abroad, but can utilise the Corporation's services as instruments in the enlargement of Indian foreign trade.

Items

With a view to diversifying and expanding the country's exports, the Corporation has developed new lines and explored new markets for traditional as well as non-traditional items. Some of the new markets explored by the Corporation are mentioned in Apprndix II.

With an experience of about 30 years at its back, the STC can claim a fair amount of success taking into account the increase in the exports made through its agency. The STC has been endeavouring to diversify India's trade and find new markets for traditional and non-traditional export items. It has arranged a number of link and barter deals. The STC has also launched price support schemes for certain commodities in order to stabilise export prices. Also, the Corporation has been assisting small scale and cottage industries to find several new markets and to expand the existing ones. It provides them raw materials, credit, technical guidance, publicity and marketing facilities. At present the STC has as its subsidiaries, the Cashew Corporation of India Ltd. (CCI), the Handicrafts and Hanlooms Export Corporation of India Ltd. (HHEC), the Project Equipment Corporation of India Ltd. (PEC), the State Chemicals and Pharmaceuticals Corporation of India Ltd. (CPC), the Central Cottage Industries Corporation of India Ltd. (CCIC) is a subsidiary of the HHEC.

The STC has undertaken certain exports to help diversify foreign trade, activate internal economy and alleviate the distress of the traders. Its major exports have been railway wagons and other equipments, engineering goods, lemon grass oil and tobacco. In 1984-85 the largest export item was coffee, after which came semi-processed leather, castor oil, tobacco, tea, sugar, jute goods, finished leather, opium, textile fabrics, readymade garments, shoe uppers, meat and marine products, molasses, footwear and components, chemicals, diamonds, groundnut extraction, black pepper, leather goods and garments, chillies, food/processed food, shellac, misc. extractions, tyres and tubes, drugs and pharmaceuticals, cosmetics, soyabean oil, cardamom, light engineering goods, shoes, engineering goods, rice, salt, mango pulp, lemongrass oil, vaccum flasks, dry fish, dry cell batteries, turmeric,shrimps, sheet glass, groundnut kernel, gramaphone records, rapeseed extraction, slate stone, beedi wrapper leaves, steel tubes, plastic goods, henna powder and SB meal extraction.[1]

The Corporation has also been asked to undertake price support operations for commodities of vital interest to foreign trade, such as jute, seedlac, lemongrass oil, and tobacco. It has also been asked to take up processing, conversion and manufacture of certain products such as wig from human hair and footwear from Indian leather. It has received orders for minting the coins of Thialand and Greece.

As compared with the above, the commodities exported in 1970-71 were jute goods, knitted woollen garments, shoe components, leather and leather goods, textile machinery, rice, art silk fabrics, molasses, tobacco readymade garments, construction material, heavy enginnering (electrical), salt, plywood, lemon grass oil goods, rayon tyre cord, light engineering products, coffee seeds, heavy engineering goods (mechanical), ethyl alcohol, cotton yarn goods, N.S.D. washing powder, woollen textiles, vacuum flask and sugar. It is interesting to note here that sugar, which accounted for the bulk of STC's exports in 1970-71 and 1975-76 when they were of the accounts of Rs. 2.98 crores and Rs. 464.13 crores

1 See Appendix 4.

respectively, gradually came down to the bottom in the export list and in 1984-85 it was included in the imports list of STC instead of that the total sales turnover of the STC of exports during 1970-71 amounted to Rs. 217.84 crores. In 1975-76 it rose to Rs. 980.99 crores showing an increase of Rs. 763.15 crores. During 1984-85 the total turnover was of Rs. 2,865.53 crores as against Rs. 1,669.88 crores in 1980-81 respectively record increase of Rs. 1,195.65 crores.

From the above it is clear that the STC has made striking progress since its inception in 1956 and its activities have expanded in all directions. Many new tasks have been undertaken by it and many unknown markets have been explored and the Corporation's activites are now focussed on a vider range. It may therefore be hoped that the Corporation will play a more important role in the years to come. It is recommended that as a catalyst for progress and change, the STC should not only continue to pioneer new activities in the furtherance of India's internal trade but it should also adhere to its ideals as a service institution. It is, therefore, hoped that if the Government is really sincere in its concern for export promotion it will create conditions under which the STC can function as an effective and autonomous undertaking in the real sense, and in this connection it would encourage the STC to become a commercial. body

Table 3

Trends in STC's Import (Commoditywise) Between
1970-71 to 1984-85

(Rs.in crores)

Commodity	1970-71		1975-76		1980-81		1984-85	
	Absolute Term	Relative Term	Absolute Term	Relative Term	Absolute Term	Relative Term	Absolute Term	Relative Term
Soyabean oil	23.68	16.68	-	-	285.01	23.47	461.40	21.77
Rapeseed oil	4.30	3.03	4.00	1.84	79.10	6.51	231.30	10.91
News prints	13.75	9.68	33.27	15.33	136.00	11.20	140.30	6.62
Capralactum	-	-	5.08	2.34	-	-	76.71	3.62
Coconut oil	0.57	0.40	-	-	-	-	11.90	0.56
Mutton tallow	23.94	16.87	1.58	0.72	13.01	1.07	-	-
Tractors	20.58	14.50	-	-	-	-	-	-
Art silk	2.40	1.69	1.11	0.51	-	-	-	-
Titanium Dioxide	1.05	0.73	-	-	-	-	9.20	0.43
DDT	0.21	0.14	6.96	3.20	-	-	5.30	0.25
Wool	5.29	3.72	18.96	8.73	-	-	-	-
Palmolein	-	-	-	-	129.03	10.62	408.10	19.25
Palm oil	-	-	15.91	7.33	17.00	1.40	101.50	4.77
Rubber (Natural)	-	-	-	-	10.00	0.82	30.21	1.42
Cement	-	-	-	-	118.02	9.72	12.40	0.58
Sunflower oil	-	-	2.13	0.98	-	-	21.30	1.00
Alky/Dod Banzene	0.74	0.52	3.02	1.39	15.00	1.23	-	-
Sugar	-	-	-	-	-	-	113.60	5.36
LA Benzene	-	-	-	-	-	-	34.10	1.60
Others	45.54	32.04	125.26	57.63	411.87	33.96	461.68	21.85
Total imports including other items	141.90	100.00	217.00	100.00	1214.04	100.00	2119.00	100.00

Source: Compiled by the author from the following:

1. Annual Reports of STC, Published by STC, 1970-71, 1975-76, 1980-81, 1984-85.
2. Handbook of Statistics, published by STC, 1971 to 1975-76.
3. Handbook of Statistics, 1979-80 to 1983-84.
4. India, 1984.
5. Report on Currency and Finance, Reserve Bank of India.

Statistics given in Table 3 reveals that STC was the major importer of soya bean oil, newsprints, mutton tallow, wool, repeseed oil, art silk in 1970-71. The relative share of these items in the total imports made by STC stood at 16.68, 16.87, 14.50, 9.68, 3.72, 3.00, 3.27 and 1.69 respectively. In 1975-76 newsprints stood at top with a share of 15.33 per cent of the total followed by wool, 8.73, palm oil 7.33, DDT 3.20, etc. In 1980-81 soyabean oil ranked first with a share of 23.47 followed by newsprints 11.20, palmolein 10.62 per cent, cement 9.72 per cent and rapeseed oil 6.51 per cent. In 1984-85 soyabean oil stood at 2.77 per cent followed by palmolein 19.25, rapeseed oil 10.91 per cent, newsprint 6.62 per cent, palm oil 4.77 per cent etc. This all indicates that in absolute terms total imports made by STC have been increasing but in relative term, the growth is not steady.

Table 4

Trends in STC's Import (Countrywise) Between 1970-71 to 1984-85

(Rs. in crores)

Commodity	1970-71 Absolute Term	1970-71 Relative Term	1975-76 Absolute Term	1975-76 Relative Term	1980-81 Absolute Term	1980-81 Relative Term	1984-85 Absolute Term	1984-85 Relative Term
U.S.A.	53.84	37.94	20.41	9.40	86.35	7.11	82.10	3.87
Australia	13.49	9.50	19.03	8.76	7.86	0.64	0.30	0.00
Canada	12.98	9.14	26,55	11.77	136.46	11.24	133.16	6.28
Czechoslovakia	6.34	4.48	1.06	0.48	0.02	0.00	-	-
U.K.	5.52	3.89	2.37	1.09	13.77	1.13	6.70	0.31
U.S.S.R.	4.61	3.24	10.72	4.94	17.39	1.43	8.69	0.41
Poland	4.07	2.86	3.84	1.76	-	-	17.15	0.80
Rumania	3.97	2.79	-	-	13.51	1.11	20.50	0.96
Japan	2.57	1.81	19.58	9.02	6.50	0.53	15.00	0.70
Belgium	-	-	1.07	-	0.06	0.00	28.07	1.32
Spain	0.47	0.33	0.42	0.19	6.87	0.56	27.50	1.29
Yogoslavia	1.81	1.27	0.13	0.60	-	-	3.50	0.16
Bulgaria	0.64	0.45	3.57	1.64	- 8	-	7.00	0.33
Italy	1.18	0.83	2.04	0.94	0.61	0.05	24.10	1.13
Argentina	-	-	-	-	-	-	50.04	2.36
Netherlands	0.32	0.22	1.27	0.58	9.77	0.80	-	-
New Zealand	0.15	0.10	-	-	12.89	1.05	7.01	0.33
Switzerland	0.21	0.14	7.27	3.33	1.09	0.08	0.20	0.00

(Contd.)

West Germany	0.18	0.12	2.51	1.15	-	-	28.90	1.36
Hungry	0.41	0.28	3.96	1.36	-	-	1.80	0.08
G.D.R.	0.15	0.10	1.26	0.58	*	-	4.08	0.19
France	-	-	0.63	0.29	2.19	0.18	7.31	0.34
Brazil	-	-	-	-	285.02	23.47	403.38	19.03
Others	28.99	20.51	90.31	42.11	613.69	50.62	1342.43	58.75
Total imports including other countries	141.90	100.00	217.00	100.00	1214.04	100.00	2119.00	100.00

* Denotes value of Rs. 50 thousand.

Source: Compiled by the author:

1. Annual Reports, 1970-71, 1975-76, 1984-85.
2. Handbook of Statistics of State Trading Corporation, 1971-72 to 1975-76, 1979-80 to 1983-84.

Data displayed in Table 4 revealed that the largest imports made by STC from the U.S.A. stood at 37.94 per cent in 1970-71. Australia comes next with a share of 9.50 followed by Canada 9.10, Czechoslovakia 4.48, U.K. 3.89, USSR 3.24, Poland 2.86, Romania 2.79 etc. In 1975-76 largest imports made by STC from Canada 11.77 per cent followed by Japan 9.02, Australia 8.76, USSR 4.94, Switzerland 3.33 per cent, etc.

In 1980-81 largest imports were made from Brazil by the STC which stood at 23.47 per cent followed by Canada 11.24 per cent and the USA 7.11 per cent. In 1984-85 Brazil remained at the top with a share of 19.03 per cent followed by Canada 6.28 per cent, the USA 3.87 per cent, Argentina 2.36 per cent etc.

Table 5

Composition of STC's Export (commoditywise) between
1970-71 to 1984-85

(Rs. in crores)

Commodity	1970-71		1975-76		1980-81		1984-85	
	Absolute Term	Relative Term	Absolute Term	Relative Term	Absolute Term	Relative Term	Absolute Term	Relative Term
Sugar	2.98	4.22	464.13	61.06	36.00	5.85	36.11	5.01
Semi processed leather	-	-	137.82	18.13	50.11	7.87	65.91	9.15
Castor oil	-	-	16.12	2.12	27.01	4.24	65.82	9.14
Shellac/Lac	-	-	10.91	1.43	14.02	2.20	5.10	0.70
Readymade garments	1.31	1.85	4.66	0.60	12.00	1.88	18.20	2.52
Coffee	-	-	4.61	0.60	75.12	11.80	77.31	10.74
Tobacco	1.34	1.89	4.42	0.58	34.13	5.36	65.41	9.09
Jute goods	10.40	14.73	3.56	0.46	16.10	2.53	35.12	4.88
Leather(finished)	-	-	-	-	13.12	2.04	32.11	4.46
Molasses	1.36	1.92	1.78	0.23	4.00	0.62	12.32	1.71
Processed food	-	-	1.55	0.20	4.00	0.62	6.01	0.83
Footwear	-	-	10.75	1.41	3.00	0.47	5.70	0.79
Lemongrass oil	0.86	1.21	2.01	0.26	2.03	0.31	2.08	0.28
Opium	-	-	5.09	0.66	5.10	0.80	27.70	3.84
Rice	4.87	6.89	11.08	1.45	8.13	1.27	3.11	0.43
Salt	0.94	-	3.11	0.40	1.00	0.15	3.04	0.42
Tea	-	-	0.75	0.09	1.00	0.15	44.90	6.23

(Contd.)

Light Engg.Items	0.58	1.33	-	-	*	-	4.31	0.59
Spices	-	-	0.67	0.08	8.00	1.25	-	-
Drugs and pharmaceuticals	-	-	-	-	2.03	0.31	4.09	0.56
Soyabean oil	-	-	-	-	-	-	4.04	0.05
Cement	1.61	2.28	12.75	1.67	-	-	-	-
Diamonds	-	-	-	-	-	-	8.09	1.12
Others	44.33	63.68	64.34	8.57	321.19	52.48	193.08	28.58
Total exports including other items	70.58	100.00	760.11	100.00	636.27	100.00	719.56	100.00

* Denots value below Rs. 50 laks.

Source: Compiled by the author from the following:

1. India, Government of India Publication, Various issues.
2. Report on currency and finance.
3. Annual Report of STC, Different years.
4. Handbook of Statistics of STC.

Data displayed in Table 5 shows that in 1970-71, the STC exported rice, sugar, jute goods, cement, tobacco, readymade garments, light engineering items, etc. Among them jute goods was the largest item with a share of nearly 15 per cent followed by rice nearly 7 per cent, sugar more than 4 per cent, cement more than 2 per cent.

In 1975-76 sugar was the largest export item of STC with relative share of more than 61 per cent, followed by semi-processed leather with a share of more than 18 per cent, caster oil 2.2 per cent, cement 1.65 per cent.

In 1980-81 coffee emerged as a biggest export item of STC with a share of 11.8 per cent followed by semi-processed leather 8 per cent, sugar 6 per cent, tobacco more than 5 per cent, jute goods nearly 3 per cent, etc.

In 1984-85 remained on the top with a share nearly 11 per cent followed by semi-processed leather 9.15 per cent, caster oil 19.14 per cent, tobacco 9 per cent, sugar 5 per cent, tea nearly more than 6 per cent, jute goods nearly 5 per cent, leather finished more than 4 per cent, etc. This all indicates that the exports through STC are on the increasing side.

Table 6

Composition of STC's Export (Countrywise) between 1970-71 to 1984-85

(Rs. in crore)

Commodity	1970-71		1975-76		1980-81		1984-85	
	Absolute Term	Relative Term	Absolute Term	Relative Term	Absolute Term	Relative Term	Absolute Term	Relative Term
USSR	18.94	26.83	53.53	7.04	166.02	26.09	211.17	29.34
Japan	0.43	0.60	18.08	2.37	10.26	1.61	20.21	2.80
U.K.	4.69	6.64	71.93	9.46	30.36	4.77	41.50	5.76
USA	1.33	1.88	83.71	11.01	14.03	2.20	66.16	9.19
Spain	-	-	1.62	0.21	0.90	0.14	2.15	0.29
Italy	0.25	0.35	25.98	3.14	12.62	1.99	33.12	5.60
France	-	-	16.29	2.14	18.99	2.98	15.16	2.10
GDR	-	-	4.60	0.60	11.30	1.77	24.00	3.33
Czechoslavakia	0.91	1.28	4.14	0.54	7.93	1.24	6.17	0.85
Canada	0.50	0.70	1.70	0.22	1.15	0.18	0.12	0.01
Holand	-	-	-	-	-	-	30.13	4.18
Poland	0.21	0.29	8.25	1.08	26.97	4.23	14.02	1.94
Rumania	0.15	0.21	16.93	2.22	3.06	0.48	4.05	0.56
Bulgaria	0.93	1.31	2.09	0.27	2.61	0.41	5.07	0.70
Belgium	-	-	2.54	0.33	0.82	0.12	5.03	0.69
Sri Lanka	-	-	5.58	0.73	9.61	1.43	22.01	3.05
Bangla Desh	-	-	2.32	0.30	*	-	17.00	2.36
Yugoslavia	-	-	3.98	0.52	1.05	0.16	1.03	0.27

(Contd.)

Hong Kong	0.16	0.22	0.41	0.05	0.34	0.05	2.00	0.03
Switzerland	0.33	0.46	1.34	0.17	1.83	0.28	11.08	1.53
Neatherlands	0.12	0.17	2.44	0.33	12.78	2.00	-	-
Iran	-	-	190.96	25.12	6.13	0.96	31.00	4.30
Iraq	0.32	0.45	17.04	2.24	5.69	0.89	4.11	0.57
Australia	0.15	0.21	2.33	0.30	2.05	0.32	4.05	0.56
Indonesia	-	-	32.49	4.27	17.39	2.73	-	-
ers	41.16	58.40	189.83	25.07	272.38	42.93	137.34	20.99
Total Exports including other countries	70.58	100.00	760.11	100.00	636.27	100.00	719.56	100.00

* Denots value below 50 lakhs.

Source: Compiled by the author from the following:

1. India, Government of India publication, Various issues.
2. Report on Currency and Finance.
3. Annual Report of STC, Different years.
4. Handbook of Statistics of STC.

Data given in Table 6 indicates that USSR is the biggest trade partner of STC with a share of nearly 27 per cent in 1970-71 followed by the UK 6,64 per cent, the USA 1.88 per cent, Bulgaria 1.36 per cent, Czechoslovakia 1.28 per cent etc.

In 1975-76 Iran became the biggest trade partner of STC with a relative share of more than 25 per cent, followed by the USA 11.01 per cent, the UK 9.46 per cent, USSR 7.04 per cent, Indonesia 4.27 per cent, Italy 3.41 per cent etc.

In 1980-81 again USSR became largest trade partner of STC with a share of more than 26 per cent followed by the UK 4.77 per cent, Poland 4.23, France 2.98 per cent, the USA 2.20 per cent etc.

In 1984-85 USSR remained on the top with a share of 29.34 %, followed by the USA 9.19 per cent, the UK 5.76 per cent, Holand 4.18 per cent, Italy 4.60 per cent. This all shows that STC has diversified its exports to many countries of the world.

consisting of professional marketing man free from the strings of the bureaucracy. The progress of the STC from 1970 to 1984-85 is given in tables 3, 4, 5 and 6.

CONCLUSION

The progress made by the State Trading Corporation can be viewed in the light of the figures of its overall performance. The major objectives of the Corporation as are broadening and enlarging the scope of Indian exports, and arranging for essential imports on an economical basis. In order to achieve these aims the STC has tried to create the necessary conditions so that India's export potentialities are diversified. It is playing a vital role in India's export trade. Its contribution in canalisation of imports is equally important.

The Corporation has organised a 'Railway Equipment Division' which has now been converted into a separate subsidiary as "Project Equipment Corporation". It has also established a new Industrial Raw Materials Assistance Centre, and an Imported Cars Division. It has three more subsidiaries. The Handicrafts and Handloom Exports Corporation of India Ltd. exports annually goods worth Rs. 345 crores. Another subsidiary is the "Cashew Corporation of India Ltd." This organisation has been importing raw cashew. The STC is looking after the distribution of a number of essential commodities in the country. The fourth subsidiary deals with the exports and distribution of raw films. The STC has also started a novel scheme called "Export Aid to Small Industries Scheme" (EASIS). The Corporation has achieved significant progress in the implementation of this scheme.

It is quite a noteworthy achievement that the exports and imports business presently undertaken by the Corporation has recorded immense increases. The year 1984-85 was a successful year for STC,with the total sales turnover reaching a new record of Rs. 2,866 crores, an increase of 29 % over the previous record of Rs. 2,215 crores achieved in 1983-84. However, though the import sales reached a new high level of Rs. 2,119 crores, the exports declined from Rs. 796 crores to Rs. 720 crores mainly due to shortfall in canalised exports. Exports of non-canalised items increased from Rs. 434 crores to Rs. 501 crores, yet another record, Exports of manufactured products showed an increase of 15 %, reaching Rs. 235 crores. The Corporation made an entry in off-shore trading and achieved a turnover of Rs. 15.35 crores. It serviced the domestic industry and consumer through imports worth over Rs. 2,096 crores. An increase of 61 % was recorded in the trading profit from Rs. 67 crores to Rs. 108 crores.

The STC's net profit of Rs. 0.08 crores was lower compared with the previous years figure of Rs. 0.40 crores mainly due to increased over-head consequent on wage revision and increased interest burden.

Project Equipment Corporation

The Corporation crossed the highest ever turnover of Rs. 103.42 crores as against 92.30 crores during the previous year representing an increase of 11.5 %. Turnkey products and mechanical, electrical equipment and railway equipment exports were the main constituents of this achievement.

In spite of stiff competition in the world market, the Corporation booked fresh orders worth Rs. 68.36 crores during the year as against Rs. 60.80 crores in the previous year indicating an increase of 12 per cent.

The net profit of the Corporation during the year 1984-85 increased to Rs. 1.88 crores from Rs. 135 crores in the previous year. The profit before tax in 1984-85 was Rs. 3.42 crores as against Rs. 230 crores during the previous year.

Cashew Corporation of India

The total turnover of the Corporation for 1984-85 was Rs. 4.23 crores which was marginally lower than the turnover of Rs. 4.29 during the previous year (1983-84). The shortfall was due to delays in receipt of LIC for effecting shipments during March 1985.

It made a trading profit of Rs. 0.17 crores during the year 1984-85 against Rs. 0.09 crores during the previous year. Profit before tax (which includes interest income) in 1984-85 was 1.38 crores against Rs. 0.81 crores in the previous year.

The Corporation is evolving a suitable strategy for diversifying its activities by including food business with emphasis on value added exports.

In short since its registration, the STC has worked in accordance with the policy of the Government of India and has helped the country in implementing the plans successfully by earning foreign exchange necessary for the development of the country.

Chapter IV

THE ROLE OF HANDICRAFTS AND HANDLOOM EXPORT CORPORATION

Indian handicrafts are becoming popular in India and outside the country. In foreign countries people are eager to buy Indian handicrafts and handloom products. Indian handicrafts are becoming popular in international markets and they are in fashion there. These handicrafts include a large number of items which are backed by centuries of experience and skill. Handicrafts constitute an important sgement of the cottage industry of the country and provide employment to nearly 25 lakh artisans and comprise a wide range of artistic products.

The Indian Handicrafts Development Corporation Ltd was established in April 1958 with Government capital as a private limited company with the main object of promoting the exports of Indian handicrafts. In 1962 it became a subsidiary of State Trading Corporation and its name was changed to "Handicrafts and Handloom Export Corporation of India Limited". The Handlooms Organisation, which had been formed in 1959 as a Division of the STC for the purpose of promotion of the export of handlooms was merged with this Corporation.

The Handicrafts and Handloom Export Corporation of India

Limited (HHEC) is a fully owned subsidiary of State Trading Corporation of India. It undertakes export of handicrafts and handloom goods besides canalised export of woollen/blended knitwear and goat-hair putties.

Apart from its various export promotion activities, the Corporation also undertakes direct export to supplement private efforts with the main object of exploring new markets and introducing new items in traditional markets.

As a result of merger the Corporation has grown much bigger not only in size but also in its objectives and activities. The HHEC has entered directly the export field in handicrafts and handloom products, whereas considered necessary in the interest of enlarging exports.

The HHEC, incorporated under the provisions of the Indian Companies Act, has its registered office at New Delhi and three regional offices located at Bombay, Calcutta and Madras. It has a sample office and a retail shop "Sona - The Golden One" in New York. It has other retail shops, in Boston and Paris. Besides, it has a carpet warehousing depot in Hamburg. It also transects its retail and wholesale business through the STC offices in Montreal and Nairobi.

There are two aspects of the HHEC's activities -- direct exports and developmental activities. The HHEC sells handicrafts and handloom products in overseas markets through its own shop at New York and STC offices. It also sells directly to wholesalers, garment manufacturers, departmental stores and buyers' agent in India.

Among its developmental activities, the HHEC provides several valuable services to private exporters in the field. It advances loans to the private exporters enrolled as business associates against firm orders, shipping documents, hypothecation of goods, etc. It also arranges bulk imports or raw materials meant for distribution under the Export Promotion Scheme as well as under the Actual Users Scheme on the basis of import licences issued by the Government. The imported raw materials are distributed on the basis of orders/import entitlement certificates issued by the All India Handicrafts Board, All India Handicrafts Board and All India Handloom Board.

Items handled by the HHEC include copper, zinc, ivory, dyes, chemicals, tissue paper, glass beads, zip fastners, artificial hair, stainless steel sheets,rough emeralds and platinum. Other services rendered by it include publication of directories giving the names and particulars of the exporters and importers of handicrafts and handloom products, issue of certificates of origin in respect of handicrafts and handloom products under Article 11 of the International Convention relating to the simplification of customs formalities, provision of service facilities such as supply of designs available for export orders on samples provided by the Business Associates.[1]

1 Annual Report of HHEC.

The export promotion activities of the Corporation can be grouped under the following headings:

Direct Assistance to Exporters

Business Associates - The Corporation's assistance is available to all exporters who enrol themselves as Business Associates of the Corporation. On the handicrafts side, exporters having a minimum annual export of Rs. 50,000 (a condition which is relaxable in deserving cases) are enrolled as Business Associates.[1] This condition does not apply in the case of manufacturers. On the handlooms side, no particular condition is laid down excepting that the Business Associates must undertake to cooperate with the Corporation in the implementation of all its measures for export promotion and also to participate in the special schemes for export promotion. No service charges are payable in either case excepting on firm export orders passed on to them or when any special sefvices like loan, etc., are availed of by them.

Assistance given by the Corporation to other Agencies

Exporters of handicrafts, particularly those who are new-comers in the line and also those who want to explore new items, need, advice and very often active help of an export agency for procurement of handicrafts from the sources of supply. A scheme has been evolved for rendering buying

1 Handbook of Export Promotion, Ministry of Commerce, Govt. of India, pp.22, 23.

assistance to exporters with nominal service charges. The Corporation grants pre-shipment advances upto 90 per cent of the F.O.B. value against firm export orders at moderate rates of interest on the security of hypothecation of stock-in-trade within a credit limit which is fixed on the basis of the credit-worthiness of the party. The Corporation undertakes pre-shipment inspection and certification of goods meant for export to ensure that the merchandise is according to specifications laid down/approved by the buyers. A nominal service charge on a graded scale is levied not exceeding one per cent of the value of the export orders. The Corporation arranges for the bulk imports of raw materials meant for distribution under the Export Promotion Scheme as well as under the Actual Users Scheme on the basis of imprest licence issued by the Government. The imported goods are distributed on the basis of release orders and import entitlement certificates issued by the All India Handicrafts Board. The scheme is of particular value to small exportsrs who can draw import entitlement direct from the Corporation's ready stocks instead of having to comply with the various procedurals formalities, etc. in obtaining imports direct from abroad. The advantage of cheaper price is also assured because of the imports being made by the Corporation on a bulk basis.[1]

The Corporation has set up a Common Facility Centre at Moradabad for lacquering and polishing of brass artware.

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1 Ibid., p. 23.

Fabrication plant machines have also been installed as an adjunct to the Common Facility Centre for purpose of meeting the demands of exporters for the equipment needed for the fabrication of brass artware from sheets because of lower cost of production, increased productivity and better finish. The Corporation undertakes procuring handicrafts export catalogues on behalf of State Government. It also brings out exporters and importers' directories giving the names and particulars of various exporters and importers of handicrafts. It has been authorized to issue certificates of origin in respect of handicrafts and handlooms under Article 11 of the International Convention relating to the simplification of customs formalities. The certificates are issued to exporters at a nominal fee.

In regard to handlooms, the Corporation renders the following facilities:

1. Service facilities such as supply of designs suitable for export markets, giving technical help to the manufacturers in regard to their production problems etc.
2. Building up of stocks of selected varieties to meet the Corporation's own export needs as well as those of its Business Associates.
3. Booking of export orders on samples of Business Associates.
4. Procurement and distribution of raw materials like yarn, dyes, chemicals, etc.

5. Collective publicity in foreign countries for the products of Business Associates, as well as general publicity for handlooms.

6. Display of samples of Business Associates in showrooms in India and abroad as also in foreign exhibitions.[1]

The Corporation has been recognised as an approved organization in terms of the Code of Grants-in-Aid of the Market Development Fund for purposes of subsidy from the Fund for export promotion schemes. The Corporation arranges market surveys in selected countries for both handicrafts and handlooms. Results of the market surveys are carefully evaluated and a follow up programme prepared in consultation with exporters. The following market surveys have been conducted so far:

1. For jewellery, handbags, ivory and gift items in France, Switzerland, West Germany and the Netherlands.
2. For handloom, in France, Italy, Switzerland west Germany.
3. For woollen carpets in West Germany and Canada.

The Corporation arranges general publicity for handicrafts and handloom products as well as publicity of the bands of the products of different exporters. Financial assistance available from Market Development Fund is utilised in the publicity programme and the remaining amount required are collected from the exporters. Top fashion designers are invited to India to study the production techniques and give suggestions

1 Ibid., 23.

for the improvement of designs to meet the needs of foreign markets. The Corporation participates in major exhibitions abroad in order to give visual publicity to special products and also to book orders on the spot.

The Corporation has opened a sample-cum-sales office in New York in order to develop further the exports of handicrafts and handloom products to the United States. The activities of the New York office also covers the Canadian market. It had associated itself with the STC in regard to its Rotterdam Depot Scheme and assists the exporters by giving loans against goods sent to the Rotterdam Depot on consignment basis.[1] An independent scheme on similar lines has been worked out by the Corporation for opening a depot at Hamburg to market Indian carpets. The operations of the foreign offices are carefully regulated so that existing channels of trade and distribution are not disturbed in any way.

As a further step to promote exports, the Corporation has evolved a scheme for inviting the representatives of leading department stores abroad to visit India as its guests. The entire expenses of such visits in India are borne by the Corporation, while the department stores, themselves bear the travel expenses of the outward and inward journeys. The representatives are shown a wide range of samples and are brought into contact with the Business Associates, 'so that as

1 Ibid., p. 24.

wide a range of goods as possible are selected for sale through the department stores.

The Corporation has taken up the sale of antiques licensed for export. These antiques are purchased at prices determined by a selection committee which includes representatives of the museums of India. After getting a licence from the concerned authorities, these antiques are marketed abroad. To start with, the sale of antiques by the Corporation is done at Lok Kalyan Bhavan, 11-A, Rouse Avenue Lane, New Delhi.

The major items of export handled by the HHEC on handloom side are: Bleeding Madras,[1] Etawah stripes, dress materials, home furnishing, cotton, tussore, reeled tussore, Varanasi silk goods, stoles and scarves, "Dupion" silm, "Matka" silk, printed silk, Bangalore silk, tie and dye silks, wall hangings and ready-to-wear items. On the handicrafts side, the major items are brassware, Kashmir woollen carpets, namdahs, rugs, and druggets, papier-mache folk art objects, giftware bags, jewellery and precious stones, ivory products and antiques.

In 1970-71 STC's exports were of Rs. 70.58 crores and the exports done by HHEC amounted to Rs. 2.97 crores. The share of HHEC was 4.2 %. In 1975-76 exports by STC were of Rs. 760.11 while the exports of HHEC totalled Rs. 32.56 crores and its share was 4.28 %. This shows increase of 0.8

Table 1

SALES TURNOVER OF HHEC AND ITS SHARE IN STC EXPORT

(Rs. in crores)

Year		STC's Exports	HHEC'S Exports	Domestic Sale	HHEC's Share in STC's Exports
1970-71	...	70.58	2.97	0.87	4.20
1975-76	...	760.11	32.56	0.34	4.28
1980-81	...	440.49	26.50	1.00	6.01
1984-85	...	719.56	129.26	1.40	17.96

<u>Source</u>: Compiled by the author from the following:

1. Annual Reports of STC, 1970-71, 1975-76 and 1984-85.
2. Handbook of Statistics of STC, 1979-80 to 1983-84.

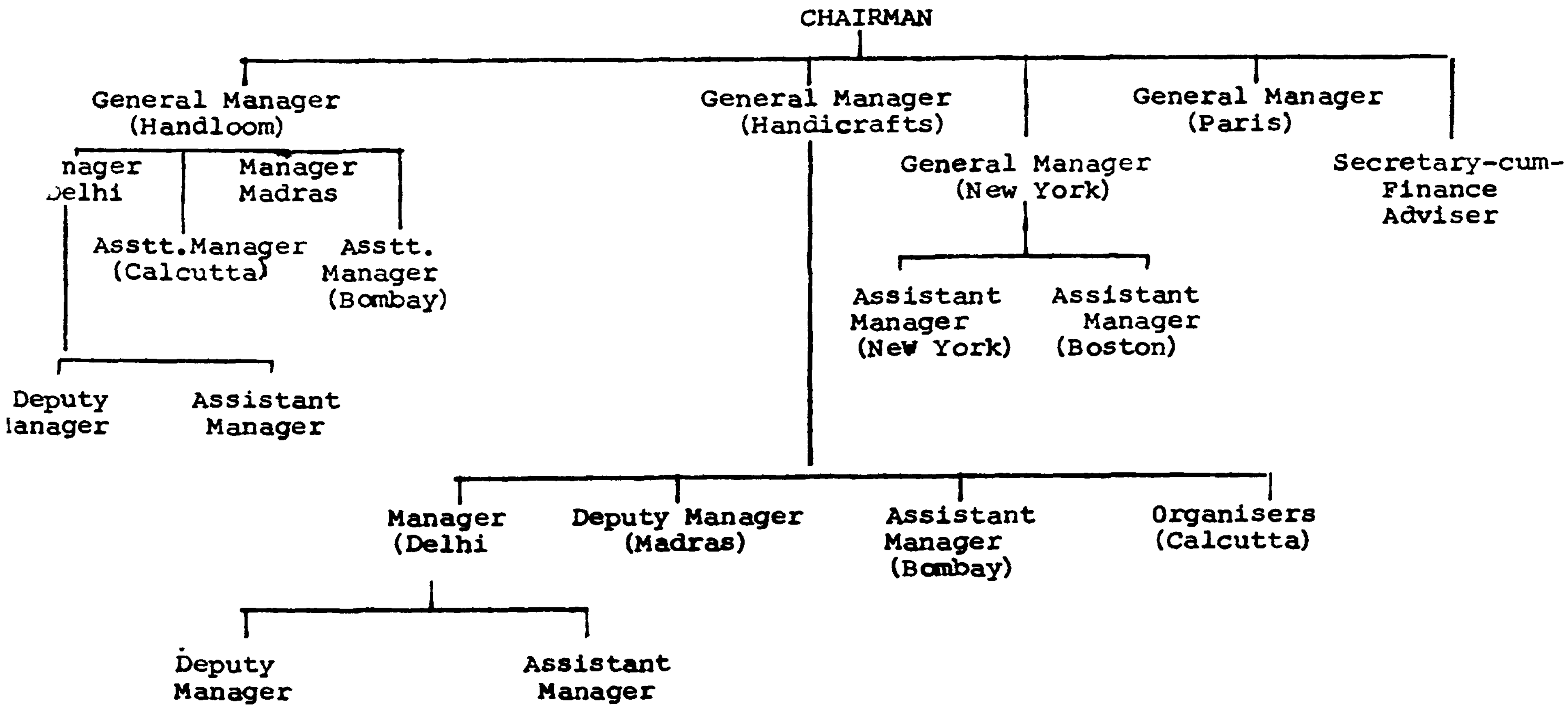
per cent. In 1980-81 exports by STC were of Rs. 440.49 crores while the exports by HHEC amounted to Rs. 26.50 crores. Its share in STC's exports was 6.01 % including an increase of 2 per cent. In 1984-85 STC's exports were of Rs. 719.56 crores while the exports through the HHEC totalled Rs. 126.26 crores. The share of HHEC in export list was 17.96 %. This was an increase as compared with 1970-71 which was 4.2 % , the increase being of 13.76 %. This means that the HHEC is playing a significant role in STC's export promotion.

It is clear from the Table that HHEC is playing an important role in the export promotion of India. The Handicrafts and Handloom Export Corporation became the first subsidiary of the STC from 1st June 1961. It formed a subsidiary of its own -- the Central Cottage Industries Corporation (CCIC), w.e.f. 1st April, 1976.

The organisational set up of the HHEC is given in the chart on the next page.

The performance of the Corporation showed a substantial improvement over the years. The Corporation has merged as the single largest exporter in the country in the field of handicrafts and handloom. It has built up a prestige in the export markets of the world for Indian products and has succeeded to a great extent in changing the pattern of Indian trade in these products from a cheap curio-oriented trade to highly sophisticated quality exports in keeping

ORGANISATIONAL CHART OF HANDLOOM AJD HANDICRAFTS
CORPORATION



<u>Source:</u> From the HHEC's Office.

with the living habits and demands of the affluent nations of the world. India today is in fashion and Indian products have increasingly come to be accepted in the general scheme of international fashion buying.

The HHEC, as is well known, is a pace setter in the field of product development. Development of fashion ready-to-wear, using Indian materials, fashion accessories, including costume jewellery, continues to be its special field of development. One of the important developmental activities of the Corporation has been the promotion of Indian designs. It has arranged a series of important fashion shows with garments exhibited in various cities of the USA and Canada. The shows were most successful and received wide acclaim. During Expo '70 in Osaka, an India day, held on May 4, 1970, the STC was asked by the government of India to conduct fashion show in the Festival Plaza of the Expo. This, as well as the perview held on 28th April at the Imperial Hotel in Tokyo, received excellent publicity in the Japanese press and fashion circles.

Its collaboration with Madam Hanae Mari, a top designer in Japan has resulted in two collections every year -- summer and winter. The Corporation has established very important contacts for selling the collections in Japan to fashion boutiques and major departmental stores. In addition, it has also negotiated with Roberto Capucci of Italy for designing two collections a year out of Indian material. Costume jewellery designed by Madam Peral of Paris has continued to yield satisfactory business. The Corporation has undertaken a major development programme in the field of carpets. The efforts to promote high quality Kashmir carpets has proved successful and substantial demands for these varieties have arisen. New designs and techniques have been introduced in the Mirzapur area of the Uttar Pradesh, which are likely to lead to substantial results. Efforts are being made to introduce new designs and methods of dyeing and washing in the carpet industry of Andhra Pradesh, particularly in the Elloru and Warangal to increase the capacity of the export varieties of carpets. It is hoped that during the coming year the HHEC will undertake various programmes to promote the export of this important product.

CONCLUSION

The Handicrafts and Handloom Export Corporation of India Ltd. (HHEC) was set up in June 1962 as a totally owned subsidiary of the State Trading Corporation of India Ltd. (STC) under the administrative control of the Ministry of Commerce with the twin objective of export promotion and trade development. The HHEC is an export house in the field of handicrafts and handlooms products (including hand-knitted woollen carpets and readymade garments) as well as gold jewellery. The export of specified woollen knitwear has also been canalysed through the HHEC.

Durihg the year 1983-84 the turnover of the Corpotation amounted to Rs. 129.66 crores as against Rs. 87.50 crores in the earlier year. This increase was achieved mainly due to increase in the export of golden jewellery, woollen knitwear and readymade garments.

The Corporation has continued its promotional and trade development activities abroad to boost exports of handicrafts and handloom products from India and continues to work for introducing new range of items for export.

Chapter V

CONCLUSION AND SUGGESTIONS

State participation in foreign trade plays a vital role in the planned economic development of a country. In the centrally planned economies like the USSR, China and other East and Central European countries, the State hold a complete monopoly of both exports and imports. It also plays an important role in the countries of Western Europe, the United States, Canada, Australia, New Zealand and a large number of newly developing Afro-Asian countries.

In India the idea of establishing a state trading agency to handle foreign trade was first mooted during the Second World War and remained a live issue for a long time. It was only in 1949 that actual steps were taken to examine the necessity for setting up a state trading organisation in India.

At last the State Trading Corporation of India Ltd. was registered on 18th May 1956 under the Indian Companies Act. Its success depends on the quality of the Board which is responsible for its direction and governance. To avoid overlapping of responsibility and to maintain the integrity of political life, the legislators should be excluded from the membership of the Board. All members of the Board should be persons of high calibre and business ability. The Chairman of the Board should not only be a person of high calibre but he should also have a towering personality to exercise the influence of his presence in the Board as well as to resist the internal ministerial interference so that he can take independent actions in accordance with the policy of the Board. The Corporation has achieved tremendous success in reaching its goal of diversifying India's foreign trade.

The STC plays a vital role in India's economy. It is an organisation that serves as a focal point in India's trade with the rest of the world. Its turnover was 9.19 crores in 1956-57 which rose to Rs. 2,855.53 crores in 1984-85; its authorised capital increased from Rs. 5 lakhs to Rs. 30 crores and its paid up capital jumped from Rs. one crore to Rs. 15 crores within the same period. These figures indicate its steady growth over the years. The STC's financial soundness has also improved considerably with its general reserves swelling from a meagre Rs. 0.29 crores in 1956-57 to Rs. 144.82 crores in 1984-85. All these facts reveal that the Corporation is a growing organisation with a bright future ahead of it.

The STC was initially set up to promote and supplement the efforts of the private sector in the external trade of the country; and with the primary objective of trading with the centrally planned economies which proved to be markets with great potentialities. In addition to these objectives, the STC's operations also included managing of various items of import and export canalised by the Government. Another aspect of its functioning was to undertake prices support operations to protect the farmers' interest and buffer stocking to ease the shortage of essential items. The Corporation, while exporting both traditional and non-traditional products to many developed and developing countries, also imports industrial raw material for the core industries in the country and essential commodities to ensure continuity of supply and stabilisation of the price level. In all, the Corporation has entered into contracts with over 100 countries and trades in over 300 products with all the countries of the world.

The Corporation helps the small scale industry in the country in modernising their technologies, importing the raw materials, products, designs, vital information relating to market behaviour, supply-demand situation, quality, consumer preferences etc. It also promotes exports from small scale industries sector by introducing their products to the world markets through trade fairs, exhibitions and advertising etc. As much as 45 per cent of the Corporation's exports directly originate from the small scale industries sector.

Among STC's canalised exports are sugar, castor oil, molasses, shellac, opium, semi-processed leather and groundnut extraction. Its canalised imports include edible oils, newsprint, white printing paper, cement and drugs and chemicals.

The STC has shifted to non-canalised products. It is aware that Indian industry has a wealth of export potential, that Indian entrepreneurs and manufacturers can offer products to match exacting international standards and that India's rapid development necessitated imports.

STC's range of exports cover a good part of the country's entire production base and its imports meet the essential needs of the community and the industry at large. It procures for industries raw materials like newsprint, natural rubber, chemicals, drugs, etc. and essential commodities like edible oils. Such imports are aimed at reducing the supply-demand gaps and ensuring continuous flow of goods and resultant price stability. It seeks to introduce new products, explore new markets and undertake wide ranging ancillary functions -- product development, finance, quality control etc.

The STC is expected to fulfil national as well as international obligations. It carries round the year a large variety of Indian products, conforming to stringents specifications, to numerous destinctions.

In order to carry out its functions effectively, the Corporation has set up 21 foreign offices in vital international markets and nearabout the same number of branches in the country. While the foreign offices help the Corporation in identifying and exploiting the potential markets, the Indian branches serve the domestic industry by supplying raw materials, finding outlets for their products abroad, etc.

In addition, the Corporation has four subsidiaries dealing in specialised products. The Project and Equipment Corporation of India (PEC) for turnkey projects abroad engineering equipment and railway rolling stock and equipment. It was established in 1971. It exports to the countries including Korea, Taiwan, the Philippines, Malaysia, Thailand, Burma, Sri Lanka, Bangladesh, Nigeria, Zambia, Sudan, Iran, Hungry, Yogoslavia, Libya, Indonesia, Algeria and Vietnam.

Handicrafts and Handloom Export Corporation, established in 1962 (HHEC), is another subsidiary of the STC for exporting handicrafts and handloom products, manufactured by the cottage and small scale industries. Central Cottage Industries (CCI), a subsidiary of HHEC, undertakes retail sales for promotion of crafts in India and thereby helps in improving the economic condition and social status of artisans, creftsmen and weavers.

The Cashew Corporation of India (CCI) was established in 1970 to export and import cashew.

In order to increase quality production and establish a reliable supply base, the Corporation has increased the number of its export units. Its shoe upper unit has already started production of quality shoe uppers and is expected to make a big headway in the export of shoe uppers.

A project is coming up with the Bulgarian collaboration for the manufacture of fashion leather gloves. Recently the

Corporation has entered into an agreement with Gujarat Agro Foods for asceptic bulk packing of tropical fruit pulp. It has also taken up a project on tuna fishing which is considered to be one of the goods with a great export potential.

Range of STC's Exports and Imports

STC's exports cover items such as coffee, semi-processed leather, castor oil, tobacco, opium, textile fabrics, readymade garments, showe uppers, meat and marine products, molasses, footwear and components, chemicals, diamonds, groundnut extraction, black pepper, leather goods and garments, chillies, food/processed food, shellac, misc. extraction, tyres and tubes, drugs and pharmaceuticals, cosmatics, soya-bean oil, cardamom, light engineering goods, shoes, engineering goods, rice, salt, mango pulp, lemon grass oil, vaccum flasks, dry fish, dry cell batteries, turmeric, shrimps, sheet glass, groundnut kernel, gramophone records, rapeseed extraction, slate stone, beedi wrapper leaves, steel tubes, plastic goods, henna powder and SB meal extraction.

The direction of export covers countries such as USSR, Japan, UK, USA, Spain, Italy, France, Spain, GDR, Czechoslovakia, W. Germany, Holland, Romania, Australia, Bulgaria, Ireland, Egypt, Belgium, Libya, Algeria, Aden, Iran, Iraq, Poland, UAR, Morocco, Malta, Yugoslavia, Sri Lanka, Bangladesh, Nepal, Saudi Arabia, Somalia, Canada, Switzerland, Tanzania, Portugal, Korea, Singapore, Malaysia, UAE, Thailand, North Korea, Rostock, Afghanistan, Nigeria, Kuwait, China, Zimbabwe and Mozambique.

STC imports items such as soyabean oil, palmoliene, rape-seed oil, newsprint, sugar, RBD Palm oil, caprolactum, neutralized palm oil, LA benzene, natural rubber, palm fatty acid, sunflower oil, SPS fatty acid, viscose staple fibre, cement, coconut oil, Til Dioxide, 6 APA, DDT 75 %, CHL phosphate, Al., fluoride, ood, borate, DD benzene, cal. berate, methyl dope, sy. cryolite, vitamin 'a', crude palm stearine, pentaety Thritol and crude palm oil.

The countries from which these items are imported are: Brazil, USA, Argentina, Spain, Belgium, Malaysia, Holland, Canada, Poland, China, USSR, Romania, Finland, Bangladesh, Sweden, New Zealand, GDR, Norway, Yogoslavia, Korea, Cuba, Phillipines, Bulgaria, France, West Germany, U.K., Italy, Japan, Singapore, Sri Lanka, Thailand, Australia, Taiwan, France, Turkey and Switzerland.

With a small beginning in 1956-57 when the turnover of STC was nearly Rs. 9.2 crores, there has been a rapid increase in its turnover. It touched Rs. 975 crores in 1976-77, Rs. 1,529 crores in 1979-80 and in 1984-85 it was Rs. 2,865.5 crores, representing an increase of 56.8 per cent in 1979-80 over 1976-77 and of 87.4 per cent in 1984-85.

The STC is playing a major role in setting the pace in the field of exports and is the largest single exporter in the country today accounting for over 6 per cent of India's total exports. The table below shows the overall picture of India's foreign trade and STC's contribution in it during the period from 1970-71 to 1984-85.

India's foreign trade and the share of STC during 1970-71 and 1984-85

Year	Total Exports	Total Imports	Exports through STC	% share of STC in total export	Imports through STC	% share of STC in total imports
1970-71	1,535	1,634	71	4.6	142	8.7
1975-76	4,043	5,265	760	18.8	217	4.1
1980-81	6,711	12,549	441	6.6	1,214	9.7
1981-82	7,806	13,608	555	7.1	1,291	9.5
1982-83	8,834	14,360	631	7.1	1,188	8.3
1983-84	9,727	15,588	796	8.1	1,403	9.0
1984-85	11,555	17,092	720	6.2	2,119	12.4

Source: Compiled by the author from relevant Annual Reports of STC.

From the above table it is clear that except for the year 1975-76 when the percentage of the share of STC in total export was 18.8 per cent, its share has not been so impressive as compared with the total value of imports.

Although the contribution of STC in the total export of the country had been constantly rising from 1970-71 to 1983-84 but in 1984-85 it declined by nearly 2 per cent over the previous year mainly due to shortfall in canalised exports. STC's total imports has been increasing rapidly over the year. It rose to 12.4 in 1984-85 compared with 8.2 per cent in 1970-71.

Destinationwise, USSR stood first in the list of exports in 1970-71 and is still on the top in the list of STC's exports, followed by UAR, Sudan, and U.K. in 1970-71 and in 1984-85 after USSR, USA, UK, Italy and Iran accounted for the bulk of STC's exports. In the list of imports, USA topped the list in 1970-71, followed by Canada, Australia, Czechoslovakia, UK and USSR whereas in 1984-85 Brazil, topped the list of STC's imports followed by USA, Canada, Argentina and Belgium.

Among the major commodities exported by STC jute goods formed the bulk of its share when in 1970-71 it fetched Rs. 10.4 crores followed by knitted garments, shoes, leather components, and leather goods. In 1984-85 coffee accounted for the bulk of STC's export with Rs. 77.31 crores followed by semi-processed leather Rs. 65.91 crores, castor oil Rs. 65.82 crores, tobacco Rs. 65.41 crores, tea Rs. 44.90 crores and sugar Rs. 36.11 crores. It is interesting to note that sugar which accounted for the bulk of STC's exports in 1970-71 and 1975-76 when they amounted to Rs. 2.98 crores and Rs. 464.13 crores respectively has come to the bottom in the export list and is not found at all in the export list in 1984-85.

In the list of STC's imports, mutton tallow accounted for Rs. 23.94 crores followed by soyabean oil, Rs. 23.68 crores, tractors Rs. 20.58 crores and news-print Rs. 13.75 cfores. In 1984-85, soyabeanoil was on the top of STC's import list when its imports amounted to Rs. 461.40 crores, followed by palmoliene Rs. 408.10 crores, rapeseed oil Rs. 231.30 crores, newsprint 140.30 crores, sugar 113.60 crores and palm oil Rs. 101.50 crores. Interestingly, sugar which was on the export list of STC has emerged in the import list and palmaliene which was not in the import list till 1975-76 emerged as a big item of import in 1980-81 and also in 1984-85. Thus there are constant convulsions in the magnitude of commodities exported and imported by the STC over the year.

The Corporation has provided tremendous opportunities to the state agencies to achieve the objective of checking the leakage of foreign exchange and simultaneously curtailing the malpractices prevalent in the country in the form of over and under invoicing in foreign trade. It has been acting as a shock absorber and has been giving export advice to the Government on policies of price stabilisation. It has thus been possible for the government to remove certain structural weakness in India's foreign trade with the help of the STC. It established a human hair "Wig India" plant on January 31, 1967, at Madras, which is equipped with most modern machinery with uptodate processing methods and with trained and skilled workers. The Corporation is striving hard to reach the best standards of world trade organisation, so that it may transact its entire business under highly competitive and stringent conditions.

The well-known EASI (Export Aid to Small Industries) was started by the Corporation to develop sound traditions and promote export of goods manufactured by small scale and medium sized industries. It has been extending all possible facilities required by such units, e.g., availability of raw materials, provision of finance, enhancement of the production capacity of such units, tendering of expert advice in the field of publicity, packing, designing, pricing techniques, shipments and transportation, follow up of import entitlement and provision of advice on various technical aspects of export-import trade like insurance, custom clearance, negotiations of commercial documents and letters of credit, conduct of export market surveys, training of workers, etc.

The Corporation is also entrusted with the purchase and sale of imported cars brought into the country by diplomats and other privileged persons. It prepares a priority list for the disposal of these cars in consultation with the Government and sells these vehicles to indentors belonging to priority categories and also through open tenders.

The Corporation also acts as the Government representative for undertaking exports of commodities produced by several public sector undertakings in the country, e.g., the Hindustan Machine Tools Ltd., Indian Telephone Industries Ltd., Hindustan Antibiotics Ltd., etc.

The STC is the largest shareholder in the Indian Motion Picture Export Corporation, set up in 1963 for promotion and diversification of export of Indian films. It plays its role as a catalytic agent in initiating, regulating, supervising and actual performance of these Corporations in exports and imports trade.

The Government of India appointed a Review Committee which submitted its report on September 3, 1969. This Committee which was headed by Sri P.L. Tondon made certain thought-provoking recommendations.

Amongst its other recommendations, it was suggested by the Committee that an import and price policy should be evolved for the STC, and it should be given full operational freedom in matters relating to buying. Most of these recommendations have been accepted. It is hoped that as and when these recommendations (regarding the export strategy of STC) are translated into action, it will be possible for the STC to fulfil its responsibilities in a more befitting and efficient manner.

The STC has successfully passed several rigorous checks and tests, e.g., internal financial audit, audit by qualified chartered accountants, commercial audit by the Auditor General, the regular monthly scrutiny by its Board of Directors as officers of the Ministries of Finance, Commerc, Food and Agriculture, ad hock audit by the relevant section of the Ministry of Finance, questions and debates in Parliament, Public Account Committee, Estimates Committee of public undertakings etc.

The STC group plays an important role in India's overall economy. STC's own exports account for 6.5 per cent of India's total exports and its imports account for 12.4 per cent of the country's total imports. STC was assigned by the Government a special role as a modal agency for the promotion of trade with Yugoslavia. Another project is coming up with the Bulgarian collaboration for manufacture of fashion leather gloves.

Handicrafts and Handloom Export Corporation of India is the biggest subsidiary of STC. HHEC is an expert house in the field of handicrafts and handloom products (including hand-knitted woollen carpets and readymade garments) as well as gold jewellery. The export of specified woollen knitwear has also been canalised through the HHEC.

The Corporation continued its promotional and trade development activities abroad to boost exports of Indian handicrafts and handloom products and to work for introducing new range of items for export.

However, it has been noted that such a large organisation is suffering from many organisational deficiencies which need to be corrected and a complete restructuring of its body is needed. There is, for example, lack of coordination between its various departments and subsidiaries, and the STC finds it difficult to exercise proper control over its subsidiaries, It would therefore be better if the bigger subsidiaries like the HHEC and PEC are made independent entities and delinked from the STC. This would help the HHEC and PEC to expand in the desired direction and right manner and the STC would also be set free to exercise greater control over its other subsidiaries in a more coordinated manner. This would lead to overall efficiency and its functioning would greatly improve.

From the above it may be seen that the STC has made striking progress since its inception in 1956 and its activities have expanded in various direction. Many new tasks have been undertaken by it and many unknown markets have been explored and the Corporation's activities have a wide range. It may therefore be hoped that the role of the Corporation will further expand in the years to come. It is recommended that as a catalyst for progress and change the STC should not only continue to pioneer new ideas and activities in the furtherance of India's foreign trade, it should also adhere to its ideals as a service institution. It is, therefore, hoped that if the government is really sincere in its concern for export promotion it would create conditions under which the STC can function as an effective and autonomous undertaking in a real sense, and it is necessary in this connection to encourage the STC to become a commercial body consisting of professional marketing men free from the strings of the Government's bureaucracy.

In the ever-changing pattern of international trade, the Corporation has to undertake every possible measure to increase the exports from the country. Some of the important steps taken by it, as mentioned in the Annual Report of STC for 1985-86 are:

Streamlining of procedures for enrolment of associates to enlarge supply base.

Revival of Industrial Raw Matarials Assistance Centre (IRMAC) scheme to supply imported raw materials to units in the small scale sector for export production.

Arranging for the visit of a delegation of buyers from Singapore to identify non-canalised items. Several items have been canalised.

Signing of a memorandum of understanding with Intraco (an organisation sponsored by the Singapore Government) under which the STC will buy palm oil from Intraco and export various agricultural commodities and manufactured products. A similar arrangement has been finalised with a leading trading house in Thailand.

Participation in 35 fairs/exhibitions both in India and abroad. STC for the first time participated in Dubai Spring Fair to expore export potential in the

Middle East.

Production of a film on STC for being exhibited in Moscow.

Provision of short term financial assistance to selected associates of marine products.

Arrangement of a buyer-seller meet in Muscat.

STC's nomination as the modal agency for all exports to Yugoslavia under Indo-Yugoslavia agreement.

Playing ofpivotal role in the promotion of balanced trade with Argentina.

Future Prospects

In order to increase STC's involvement in the export field, it has been decided that from the year 1985-86, STC will take into account only those exports of business associates, wherein the Corporation has provided specific services to the associates. The STC is giving greater attention to the building of reliable supply-base and the augmentation of package of services to associates. The export target of 1985-86 originally envisaged at Rs. 716 crores includes an estimated turnover of Rs. 400 crores of indirect exports. In line with the new decision to discontinue booking indirect exports, STC proposes to take all possible measures to increase its direct exports so as to meet the original target of Rs. 716 crores. The following steps are proposed:

1. To utilise effectively its buying power through counter trade deals.

2. To foster the work ethos which will lead to smooth functioning of the organisation and achievement of best possible results.

3. To strengthen the data base and improve the information system including computerisation.

4. To delegate adequate powers down the lines to enable speedy and business-like decisions.

Counter trade will be given major thrust. It was contemplated that the STC would achieve an export turnover of about Rs. 250 crores through counter trade during the year 1985-86.

SUGGESTIONS

Some suggestions for the improvement of the functioning of the STC are given below. These include a few measures suggested by the Committee of Review which submitted its report in 1969.

Marketing -

The Corporation should conduct studies by itself and by inviting other independent research organisations to examine its techniques for the improvement in exports, and imports. At all time, it is important for the Corporation to have a strategy of exports.

1. <u>Continuity in Exports</u> :

To satisfy the customers at home and abroad with the quality for both the exports and the imports of the Corporation, it is an essential role of a marketing service.

It was recommended by the Review Committee that in international trade once a new market has been established there must be continuity of supply even if it means depriving the home market of goods being exported. This means that it does not matter how short the country itself goes. This is not a valid suggestion. The country's requirements come first and then the exports.

2. <u>Selection of the Agents</u>

In the foreign offices the Corporation should have local contacts to make use of natural distribution channels that are active locally. The selection of the agents has to be carefully done keeping in mind the Corporation's long range interest.

3. <u>Imports</u>

To import a product is the decision of the Government, but the responsibility to implement this policy in commercial and economical terms rest with the Corporation. It is therefore suggested that even import decisions should be taken by the Corporation in tune with the Government's overall policies.

4. Foreign Offices

Opening an office abroad must be the result of careful planning with emphasis upon productiveness. East and West Africa offer good scope for Indian goods but surprisingly there are many countries in East and West Africa like Nigeria where STC has no offices.

Financial Aspects

1. Cost

It is recommended by Review Committee that the Corporation must keep a watch on its costs so that between purchase and sale minimum of overheads are added. There is room for improvement in the Corporation's record in this respect. This needs a conscious effort in three direction-keeping overheads down to the minimum having a staff of high calibre and expanding the turnover to enable it to obtain full benefit from improved profitability[1]

2. Finance

Where large sums are involved, finance should be a part of the decision making from the very start and the whole functioning made participative rather than through control and criticism.

3. Capital Employed

Debtors and stocks in the Corporation have been unnecessarily high with a consequent over-employment of capital. The turnover to capital employed ratio therefore needs revision.

Personnel

A fair and progressive personnel policy, with well-defined and objectively handled procedures that inspire confidence in recruitment, selection, confirmation, placement, training and promotion. No partiality of departmental influence should be encouraged.

1. Promotion by Merit

In the field of international trade it is essential to select and train its personnel carefully and then to promote people on the basis of merit rather than mere seniority. The field of international trade is highly sophisticated and competitive, and emphasis should therefore be upon a well-trained and competent management.

2. Staff

The same care should be applied to the recruitment and training of general staff for the management of the Corporation. This is only possible if due regard is given to merit, so that those who respond better to training do not feel frustrated at the time of promotion. The date of joining should not be the sole determinant in the matter. This will provide an incentive for self-improvement to the staff.

3. <u>Selection</u>

Modern selection procedures should be adopted and the Corporation, while encouraging talent from within, should at the same time infuse fresh blood into the organisation at managerial and specialist levels. Outside talents should be encouraged to join.

Organisation

1. <u>Board</u>

More additional directors should be appointed to share the heavy burden of work in some functional areas. The Board should work as a team rather than with a one-to-one equation between a director and the Chairman. The working board should constitute a committee of management, meeting weekly to decide all major issues and at the same time keeping all members in touch to make their responsibility truly collective.

2. <u>Chairman</u>

Regular briefing meetings with the Chairman may be encouraged. But the practice of two large divisions administration and economic, reporting to him should be discontinued. All divisions should report to their respective directors.

3. <u>Vice-Chairman</u>

The appointment of a Vice-Chairman should be made to attend to day-to-day matters ar for coordination of board work at the 'routine' level, to deputise for the Chairman during his absence, to ensure continuity in decision making. This would also help in solving the problem of succession that is always the bane of most public undertakings.

4. Accountability

The Corporation needs a new definition of its accountability. Answering questions in its operations, especially when a crisis occurs, is not real accountability. True accountability is a system in-built in the Corporation to measure, appraise and communicate performance, by showing every week, every month, every quarter and every year, monthly and weekly target. If deviations persist, the causes should be studied in depth and Committee action taken, so that they are not repeated.

Others

EASI - The Export Assistance to Small Industries Scheme needs fresh thinking, with an emphasis not so much upon what the Corporation itself exports but the help it gives to small producers in increasing their exports. The need of small industries for services is enormous, particularly in finance, locating demands abroad, marketing and packing, quality control, mechanisation, raw materials and management services. EASI should therefore be reorganised with a radically new perspective.

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APPENDIX - 1

APPOINTMENT OF THE DIRECTOR

1. Appointment of Director as Chairman, Managing Director or Executive Director

The President may appoint one of the Directors to be the Chairman of the Board ofDirectors and another Director as Managing Directors and one or more Directors as Executive Directors and also constitute committees of one or more Directors for such terms and on such remuneration as he may determine from time to time and may remove him or them from Office and appoint another/others in his/or their places.

2. Power of Managing Director

The Board may from time to time entrust to and confer upon the Chairman/Managing Director, Directors, General Manager or Managers and Financial Adviser and Chief Accounts Officer, for the time being such of the powers exerciseable under these articles by the Board ofDirectors as it may think fit and may confer such powers for such time and to be exercised for such object and purpose and upon such terms and conditions and with such restrictions as it may think expedient and it may confer such powers either collaterally with or to the exclusion of and in substitution for all or any of the powers of the Directors in that behalf, and may from time to time revoke, withdraw, alter or vary all or any of such powers.

3. General Powers of the Company vested in the Board

The business of the Company shall be managed by the Board who may exercise all such powers of the Company as are not, by the Companies Act, 1956, or any statutory modification thereof for the time being to force or by these Articles, required to be exercised by the Company in general meetings, subject nevertheless to the provisions of these Articles, to the provisions of the said Act and the directives if any, the President may issue from time to time and to such regulations being not inconsistent with the aforesaid provisions as may be prescribed bythe Company in general meeting shall invalidate any prior act of the Directors, which would have been valid if that regulation had not been made.

4. Special powers given to the Directors

Without prejudice to the general powers conferred by the last preceding Article, and the other power conferred by these Articles, the Directors shall have the following powers:

1. To acquire property.
2. Work of capital nature.
3. To pay for property in debentures etc.
4. To secure contracts by mortgage.
5. To create posts and to appoint officers etc.
6. To appoint trustees
7. To bring and defend action, etc.
8. To refer to arbitration.
9. To give receipt
10. To authorise aeceptance etc.
11. To appoint attorneys.

APPENDIX - 2

LIST OF STC'S OFFICES ABROAD

S.No.	Country	Station
1.	Kenya	Nairobi
2.	America	New York
3.	Argentina	Buenos Aires
4.	Tanzania	Dar-es-Salaam
5.	U.S.S.R.	Moscow
6.	G.D.R.	Berlin
7.	Hungary	Budapest
8.	Sri Lanka	Colombo
9.	Bangaladesh	Decca
10.	Japan	Tokyo
11.	Kuwait	Kuwait
12.	Iraq	Baghdad
13.	Saudi Arabia	Jeddah
14.	United Kingdom	London
15.	West Germany	Frankfurt
16.	France	Paris
17.	Hong Kong	Hong Kong
18.	Italy	Milan
19.	Yogoslavia	Belgarade

APPENDIX-3

DIRECTION OF EXPORTS
(1984-85)

Countries/Commodities

Items of Value (FOB) of Rupees in crores.

Country	Commodity	Rupees in crores
U.S.S.R.	Instant coffee	10.01
	Green coffee	60.79
	Semi-processed leather	15.59
	Castor oil	26.01
	Tobacco	37.41
	Tea	5.31
	Jute goods	11.29
	Finished leather	11.28
	Opium	6.34
	Shoe uppers	0.91
	Chemicals	4.30
	Black pepper	5.30
	Leather goods and garments	1.01
	Food, processed food	5.28
	Misc. extraction	0.43
	Tyres and tubes	0.68
	Cosmatics	4.48
	Cardamom	0.25
	Light Engg. goods	2.74
	Lemon grass oil	2.34
	Dry cell batteries	2.01
	Groundnut kernel	0.99
		219.11

Japan	Coffee	3.53
	Semi processed leather	5.76
	Castar oil	0.62
	Jute goods	1.02
	Opium	2.63
	Readymade garments	0.49
	Meat and marine products	4.96
	Diamonds	0.81
	Footwear	0.23
	Shrimps	1.00
		21.05
U.K.	Coffee	1.64
	Semi-processed leather	15.37
	Tobacco	10.28
	Jute goods	1.02
	Finished leather	1.59
	Opium	2.54
	Textiles, fabrics	1.30
	Readymade garments	4.26
	Shoe uppers	0.91
	Chemicals	0.21
	Leather goods and garments	0.72
	Footwear	0.31
	Misc. Extraction	0.21
	Tyres and tubes	0.38
	Drugs and pharmaceuticals	0.46
	Shoes	0.30
		51.50
U.S.A.	Coffee	0.69
	Castor oil	6.48
	Jute goods	14.50

	Finished leather	3.80
	Opium	14.80
	Readymade garments	8.91
	Shoe uppers	2.09
	Meat and marine products	0.33
	Chemicals	0.47
	Diamonds	3.52
	Leather goods and garments	2.24
	Light engg. goods	0.2,
	Shoes	0.60
	Engg. goods	2.62
	Lemon grass oil	0.23
		64.16
Spain	Coffee	0.38
	Semi-processed leather	0.90
	Finished leather	1.18
		2.40
Italy	Semi-processed leather	25.01
	Tobacco	2.17
	Sugar	4.09
	Finished leather	3.41
	Molasses	0.93
		35.61
France	Semi-processed leather	1.20
	Castor oil	9.87
	Finished leather	1.18
	Opium	1.40
	Textiles, fabrics	2.18

	Readymade garments	0.59
	Molasses	1.70
	Leather goods	0.76
	Shoes	0.88
		19.76
G.D.R.	Semi-processed leather	0.82
	Caster oil	3.47
	Finished leather	2.88
	Shoe uppers	10.12
	Footwear and components	9.58
		26.87
Czechoslovakia	Semi-processed leather	0.73
	Caster oil	0.45
	Tobacco	0.75
	Jute goods	0.59
	Groundnut extraction	2.48
	Black pepper	0.31
	Misc. Extraction	0.40
	Rice	0.36
	Rappeseed extraction	0.37
	Meal extraction	0.24
		6.67
W. Germany	Semi-processed leather	0.25
	Tobacco	1.65
	Finished leather	2.58
	Textiles/fabrics	2.60
	Readymade garments	1.03
	Shoe uppers	1.16
	Molasses	0.25

	chemicals	1.87
	Leather goods and garments	1.32
	Shellac	1.45
	Footwear	1.99
	Misc. Extraction	0.35
	Drugs and Pharmaceuticals	2.10
	Vaccum flasks	0.95
		19.55
Holland	Castor oil	17.85
	Tea	0.53
	Mollasses	9.47
	Leather goods and garments	0.32
	Footwear	0.68
	Shoes	1.42
		30.25
Romania	Caster oil	0.66
	Black pepper	1.20
	Misc. Extraction	2.27
		3.13
Australia	Castor oil	0.36
	Jute goods	1.25
	Shoe uppers	0.82
	Diamonds	0.36
	Leather goods and garments	0.40
	Slate stone	0.70
Bulgaria	Tobacco	3.54
	Fihished leather	0.24
	Shoe upper	0.22

	Misc. extraction	1.14
		5.79
Ireland	Tobacco	2.96
Egypt	Tobacco	2.66
	Sugar	2.66
		5.32
Belgium	Tobacco	1.21
	Jute goods	1.12
	Diamonds	3.12
		5.45
Libya	Tobacco	0.67
Algeria	Tobacco	0.56
	Ready made garments	0.70
	Henna powder	0.26
		1.52
Aden	Tobacco	0.26
Africa	Tobacco	0.26
Iran	Tea	26.65
	Black pepper	0.90
	Cardamom	2.95
	Turmeric	1.50
		32.00
Iraq	Tea	4.10

Poland	Tea	4.05
	Jute goods	0.68
		4.73
U.A.R.	Tea	1.64
	Readymade garments	0.20
	Shelloac	0.94
	Light Engg. goods	0.62
	Engineeing goods	0.22
		3.52
Morocco	Tea	1.02
Malta	Tea	0.80
Yugoslavia	Tea	0.63
	Finished leather	0.69
		1.32
Sri Lanka	Sugar	11.28
	Ready made garments	0.23
	Chemicals	0.61
	Chillies	6.59
	Drugs and pharmaceuticals	0.56
	Dry fish	2.11
	Beedi wrapper leaves	6.71
		22.09
Bangladesh	Sugar	7.28
	Textiles/fabrics	8.83
	Drugs and pharmaceuticals	0.26
	Salt	0.64
		17.01

Nepal	Sugar	7.17
	Soyabean oil	4.41
	Salt	0.52
		12.10
Jeddah	Sugar	2.16
Somalia	Sugar	1.42
Canada	Jute goods	0.95
	Diamonds	0.21
		1.16
Switzerland	Jute goods	0.36
	Textiles/fabrics	9.69
	Readymade garments	0.43
	Leather goods and garments	0.28
		10.79
Tanzania	Jute goods	0.30
	Salt	0.36
		0.66
Hong Kong	Finished leather	1.04
	Readymade garments	0.62
	Diamonds	0.21
	Drugs and pharmaceuticals	0.24
		2.11
Portugal	Finished leather	0.67
Korea	Finished leather	0.48
Singapore	Finished leather	0.29
	Shellac	0.95
	Salt	1.19
		2.43

Austria	Footwear	0.22
	Finished leather	0.29
		0.51
Denmark	Shoe uppers	1.65
	Leather goods and garments	0.21
	Footwear	0.35
	Shoes	0.36
		2.57
U.A.E.	Meat and marine products	4.56
	Chemicals	0.36
	Food/processed food	0.46
	Mango pulp	0.21
		6.59
S. Arabia	Meat and marine products	1.00
	Cardamom	0.22
	Rice	1.89
	Mango pulp	0.76
		3.87
Malaysia	Meat and marine products	0.87
Thailand	Diamonds	0.26
N.Korea	Groundnut extraction	1.85
Rostock	Black pepper	0.52
Afthanistan	Tyres and tubes	0.80
Kuwait	Carmom	0.80
	Rice	0.89
		1.69

Uganda	Salt	0.21
U.A.R.	Mango pulp	1.82
China	Sheet glass	1.13
Hungary	Gramaphone records	0.32
Zimbabwe	Steel tubes	0.27
Mozambique	Plastic goods	0.32

Source: Annual report of State Trading Corporation of India, 1984-85.

APPENDIX 4

COMMODITIES EXPORTED BEFORE AND AFTER 1984-85

Country	Commodities Exported
U.S.S.R.	Knitted wear (woollen, readymade shirts), sports goods, razor blades, cigarettes, fruit juices, soaps, coffee, semi-precious stones, bananas, biscuits, barley, machine and machine tools,leather goods, linoleum, hosiery goods, scarves, zari bags, brassware articles, refrigerators, B.H.C. dust, gum, rasin, cotton piece goods, annatto seeds, detergent washing powers, pure chrome, pigments, raw wool, zinc phosphide, vacuum flasks, wheat seeds, pottassium permanganate and opium.
	The items which are exported by the State Trading Corporation in 1984-85 are as follows:
	Green coffee, semi-processed leather, castor oil, tobacco, tea, jute goods, finished leather, opium, shoe uppers, chemicals, black pepper, leather goods, garments, foods, processed foods, miscellaneous extraction, tyres and tubes, drugs and pharmaceuticals, cosmetics, cardamom, light engineering goods, lemon grass oil, dry cell batteries, groundnut kernel, gramophone records, and vacuum flasks.

Hungary	Woollen fabrics, shoes and chappals, handicrafts, woollen knitwear, textiles, food trays, railway wagons, nozzles, toilet paper, mercuric oxide, machine tools. In the year 1984-85 the STC exported only gramaphone records.
Rumania	Textiles, shoes and chappals. The items exported in 1984-85 were black pepper, misc. extractions, storage batteries, electric motors, machines tools, showes, art silk fabrics, handikerchiefs, cigarettes, liquor, shrimps, surgical equipment and mustard seeds. In 1984-85 semi-processed leather, shoe uppers, footwear and components were exported.
Bulgaria	Shoes, textiles, handicrafts, chappals, actyl salcylic acid, powders and razor blades. In 1984-85 the items exported were: Misc. extraction, tobacco, finished leather, shoe uppers,
Czechoslovakia	Chappals, sanitary fittings, razor blades, woollen underwears, paint, brushes, handicrafts, sports goods, and sewing machines. In the year 1984-85 the ites exported were: groundnut extraction, black pepper, misc. extraction, rice, rapeseed extraction,

	SB meal extraction, semi-processed leather, castor oil, tobacco and jute goods.
Yugoslavia	Sports goods, machine tools and sewing machines were exported to Yugoslavia in 1984-85. Tea, finished leather.
Poland	Shoes, duplicators, microscopes, and machine tools To Poland in 1984-85 the items exported were: groundnut extractions, misc. extraction, tea, jute goods.
U.K.	Watches, deoiled cake, molasses, ethyl-alcohal, turpendine oil, stray chinine, sulphate and steel tubes. In 1984-85 leather goods and garments, footwear, misc. extraction, tyres and tubes, drugs and pharmaceuticals, shoes, instant coffee, semi-processed leather, tobacco, jute goods, finished leather,textiles, fabrics, readymade garments, shoe uppers, chemicals and opium.
U.S.A.	Cowboy shoe uppers, human hair, watches, ethyl alcohol, musical instruments and art books. In 1984-85 goods exported were leather goods and garments, shellac, footwear, tyres and tubes, light engineering goods, shoes, engineering goods, lemon grass oil, instant coffee, castor oil, jute goods and finished leather.

Sweeden	Opium, readymade garments, showe uppers, woollen fabrics, deoiled cakes, unmanufactured tobacco, wollen carpets and processed wool. No item was exported in the year 1984-85 to Sweden.
Switzerland	Gunny bags, deoiled cake and ethyl alcohol, In 1984-85 only four items were exported: leather goods, garments and textiles fabrics. jute goods, readymade garments.
West Germany	Sewing machines, chloral hydrate, and tapioca chips. In 1984-85 leather goods and garments, shellac,foowear, misc. extraction. drugs and pharmaceuticals, shoes, vacuum flasks, semi-processed leather, finished leather, readymade garments shoe uppers, molasses, chemicals and textiles fabrics.
Turkey	Sewing machines and parts thereof, cycles and parts thereof, electric fans, electric bulbs, fountain pens, imitation jewellery, hand tools, citromella oil, castor oil, lanterns, miniture lamps, brake linings, tiles and coconut. Nothing was exported to Turkey in the year 1984-85 by the STC.
Hongkong	Frozen meat, molasses, figured and wired glasses, human hair, kuth roots.

In 1984-85 items exported were drugs and pharmaceuticals, readymade garments and diamonds, finished leather.

France	Gunny bags, deoiled cakes, tapioca chips and kuth roots. In 1984-85 items of export were leather goods, garments, shoes, semi-processed leather, castor oil, finished leather, opoum, textiles,fabrics, readymade garments, molasses.
Netherlands	Tapioca chips. In 1984-85 no item was included in the list of export by the STC.
Indonesia	Cotton yarn and jute goods. To this country nothing was exported in 1984-85.
Sudan	Jute goods, This was introduced in the beginning but in this year (1984-85) it is not in the export list.
Uganda	Jute goods, quinine citrate and surgical dressings. In 1984-85 only salt was exported.
Japan	Raw petroleum cake, red sandal wood and molasses. In the year 1984-85 footwear, shrimps garments, meat, marine products and diamonds.

Kenya	Naphthalene balls and crystals, bleaching powder, spectacle frames and steel tubes. In 1984-85 no item was exported to this country.
Ethiopia	Scientific and educational equipment and figured and wired glasses. In 1984-85 nothing was exported to Ethiopia.
Sri Lanka	Dry fish and kuth roots. There were no exports in 1984-85 to this country.
Thailand	Electric motors and kuth roots. In 1984-85 diamongs were exported.
Jordan	M.S. round bars. No exports in the year 1984-85.
Malaysia	Raw petroleum cake, naphthlene balls and crystals, wheat bran, meat and marine products.
Canada	Walnuts, watches and figured and wired glass. In 1984-85 jute goods and diamonds.
Belgium	Mustard seeds. In 1984-85 tobacco, jute goods and diamonds.
Holand	Molasses and buffalo casings. In 1984-85 leather goods and garments, footwear, castor oil, tea, finished goods, molasses.

Burma	Surgical instruments, Burma is not in list of 1984-85.
Iran	Steel tubes and figured and wired glass. In 1984-85, black pepper, cardamom, turmaric and tea.
South Vietnam	Steel tubes.
Iraq	Steel tubes and figured and wired glasses.
Australia	Steel tubes. In 1984-85 leather goods and garments,footwear and slate stone, castor oil, jute goods, finished leather, shoe uppers and diamonds.
Syria	Steel tubes and maize starch. Syria is not in the list of exports for 1984-85.

There are some new countries which are included in the list of exports of State Trading Corporation in 1984-85.

North Korea	Groundnut extraction. In 1984-85 finished leather.
Rostock	Black pepper.
Denmark	Leather goods and garments, footwear, showes. In 1984-85 shoe upper.
Sri Lanka	Chillies, dry fish and beedi wrapper leaves and drugs and pharmaceutic als. In 1984-85 garments, sugar, chemicals,
U.A.E.	Food/processed food and mango pulp. In 1984-85 meat, marine products and chemicals.

Singapore	Shellac and salt. In 1984-85 finished leather.
U.A.R.	Shellac, light engineering and engineering goods. In 1984-85 tea,jute goods and readymade garments.
Afghanistan	Tyres and tubes.
Nigeria	Drugs and pharmaceuticals.

Names of the other countries which are not mentioned in the previous list:

EXPORT LIST OF 1984-85

Spain	Instant coffee, green coffee, semi-processed leather, finished leather
Itly	Semi-processed leather, tobacco, sugar, molleses, finished leather.
Ireland	Tobacco
Egypt	Tobacco, sugar.
Germany	Tobacco
Libya	Tobacco
Algeria	Tobacco, readymade garments, Hena powder.
Aden	Tobacco.
Hamburg	Tobacco
Africa	Tobacco
Marocco	Tea
Malta	Tea

Bangladesh	Sugar, textile, fabrics, drugs and pharmaceuticals, and salt.
Nepal	Sugar, soyabeen oil, salt.
Jeddah	Sugar
Somalia	Sugar
Tanzania	Jute goods, salt
Portugal	Finished leather
Saudi Arabia	Meat, marine products, cardamom, mango pulp, rice.
Kuwait	Cardamom, rice.
U.A.R.	Mango pulp
China	Sheet glass
Zimbabwe	Steel glass
Mozambique	Plastic goods
Others	Instant coffee, green coffee, sami-processed leather, tobacco, tea, jute goods, finished leather, textile fabrics, readymade garments, shoe uppers, meat and marine products, chemicals, diamonds, black pepper, leather goods and garments, food, processed food, shellac, footwear, misc. extraction, drugs and pharmaceuticals, cardamom, light engineering goods, shoes, engineering goods, salt, mango pulp, lemon grass oil, vacuum flasks, shrimps, gramaphone records, rapeseed extraction and steel tubes.

Source: 1. Gupta, R.K., Working of STC in India.

2. Annual Report of State Trading Corporation of India, 1984-85.